California Public Utilities Commission

Internal Audit Unit Report on

Workforce Planning, Career Development and Succession Planning

October 21, 2015

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Finance and Administration Committee
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Final Report – California Public Utilities Commission Internal Audit Report on Workforce Planning, Career Development, and Succession Planning

Dear President Picker:

The Internal Audit Unit of the California Public Utilities Commission (CPUC) has completed its internal audit review of the CPUC's workforce planning, career development, and succession planning as of August, 2015. Our audit was conducted using the Institute of Internal Auditing's International Professional Standards for the Practice of Internal Auditing.

The enclosed report is for your information and use. The findings and recommendations in our report are intended to assist management in improving the effectiveness and efficiency of management operations. Management for the most part agreed with our findings, and their responses are attached in Appendix A; we appreciate their willingness to implement corrective actions.

We appreciated the assistance and cooperation of agency management in the conduct of this audit. If you have any questions regarding this report, please feel free to contact me at 415-703-1823 or CRD@cpuc.ca.gov.

Sincerely,

Carl Danner
Chief Internal Auditor, California Public Utilities Commission

Enclosure

Cc: Commissioners
Michelle Cooke, Deputy Executive Director, Administrative Services
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MEMBERS OF THE AUDIT TEAM

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Executive Summary

The Internal Audit Unit (IA) performed an audit of the California Public Utilities Commission (CPUC) efforts in performing workforce planning, career development, and succession planning.

Our audit sought to document an understanding of how the CPUC is managing its workforce in order to carry out its constitutional and statutory responsibilities. Is there a strategic approach being pursued on an agency-wide or divisional basis? Is there an understanding of workloads to be performed, and the resources needed to perform those tasks? Are we developing our employees from onboarding through journey-level stages? And are there contingency plans developed to anticipate the inevitable attrition of management and key personnel due to retirements, promotions, or resignation?

Principal findings are as follows:

1. There is no agency-wide workforce planning being conducted. Some planning is being done at a division level, albeit with little to no coordination between divisions. Essentially, for this purpose the divisions might be regarded as quasi-independent entities that sometimes rely on technical staff support from the Human Resources Branch of the Administrative Services division (HR) while performing a version of these tasks on their own. Such efforts are currently left to the disparate divisions to perform as semi-autonomous units. In some instances these divisional approaches are consistent with best practices and might serve as a model for agency-wide adoption. However, notwithstanding the quality of some of the efforts the divisions make, the current fragmented approach is not sufficient for the strategic management of the CPUC's workforce—its greatest asset.

2. There is little to no proactive recruitment work being done by the CPUC at this time, although some divisions perform some outreach through technical journals and publications. Most hiring decisions are being made to fill immediate and local needs (e.g. of sections within divisions), without an effort to address agency-wide needs for the capabilities required of career employees over the long term.

3. There is little to no onboarding information (beyond personnel forms and materials) being provided to new employees at an agency level, although some divisions use informal approaches.

4. Little employee development is being done at an agency level, although some divisions have formal and informal plans or schedules they use. Some notable exceptions include the development of professional engineers and railroad track inspectors within the Safety and Enforcement Division (SED), and judicial training within the Administrative Law Judge (ALJ) Division. HR is working on developing a "Career Development Guide" with an eye towards formalizing these processes across the agency, consistent with a desire among HR management to take a higher-profile role in these matters.

5. Divisions tend to view HR as a technical support group that has some challenges in responding in a timely manner to requests for assistance on hiring or other personnel matters.

6. For the most part, employees appear to have either probation reports or Individual Development Plans or Appraisal Development Plans (IDP / ADP) in their files that include some employee developmental feedback, i.e. near-term needs for their current

positions. However, most of the forms do not include a discussion of forward-looking career planning to aid employees in achieving longer-term goals and capabilities.

7. Divisions understand the work they are required to perform and the necessary staff capabilities, although there is little ability to quantify workload and work productivity to accurately estimate such as the total capacity of a unit (or the agency) to perform a given function or task. Likewise, there is little ability to perform "gap analysis" to determine where staff resources can be better deployed, although many divisions can cite examples of resource reallocations that were performed to meet pressing needs.

8. There appears to be no formal succession planning process. Some divisions have recognized impending retirements of key employees, and efforts are being made to encourage departing employees to help train others to assume their tasks and responsibilities.

Our research into these questions also identified a number of particular issues we believe should be addressed regarding current agency workforce-related practices:

- With regard to the recruitment and professional development of ALJs: There is a significant difference of opinion regarding the professional development and role of the Administrative Law Judges (ALJs), as between an emphasis on a generalized judging function, versus ALJs as having technical and/or program expertise they can apply to particular proceedings that might benefit from it. For the CPUC in its role as an expert agency, there are associated implications for hiring and developing ALJs. Also, compensation levels for ALJs are below those for other senior agency staff, creating issues for recruiting and turnover of judges, and a potential for conflicts due to post-ALJ employment.

- With regard to the cost, timeliness and effectiveness of agency hiring procedures: In 2005, an executive decision was made to fill most positions through an open, competitive hiring process in order to draw on talent from outside of the agency and reduce the potential for insular views to develop within the agency. The policy is not succeeding on its own terms in that few outside hires are being made for positions above entry level. The policy also appears to be causing some adverse operational impacts that may be surprisingly broad.

- With regard to developmental feedback for employees who receive promotions: Regular, annual performance reviews (formerly using the IDP form, now the ADP) are intended to provide constructive feedback to employees along with tracking of developmental progress. However, there appears to be a gap in the requirement to perform IDP / ADPs for some employees who receive frequent promotions, and are instead evaluated with probationary reports appropriate to their first year in a new position. Some supervisors are using probationary reports to provide developmental advice, although the forms do not provide for this.

- With regard to the legality of succession planning efforts: There is a belief among many managers that any attempt to perform formalized succession planning could be perceived as "playing favorites" and risk running afoul of state personnel rules. We believe this perception is mistaken, and that many employees and the agency might benefit from leadership development efforts tailored to their interests and developmental needs.

Recommendations

IA makes the following recommendations:

1. There is a need for a human resources (HR) executive who possesses the authority and high-level analytical staff resources to lead an agency-wide approach to workforce planning, recruitment, employee development, and succession planning on an ongoing and consistent basis. The anticipated results will allow the CPUC to:

    - Plan for the agency's workload, and the staff resources needed to perform it well.
    - Identify and justify an appropriate level of resources for budgeting and legislative oversight.
    - Initiate and manage formal proceedings at the Commission level with the involvement of an appropriate number of staff who possess the skills and abilities to complete proceedings within a given timeframe.
    - Identify the agency's capacity to undertake new legislative or Commission initiatives.
    - Maintain needed capabilities within the agency as normal staff turnover and attrition occur.
    - Attract, develop, and retain capable staff.

We anticipate that this development of systems and approaches would take place in a sequential manner, with one or two priority concerns being addressed at a time until the full range of improvements is accomplished. Ultimately, the new systems would operate through collaborative efforts with the divisions, but with the human resources executive retaining authority and a sufficient number of staff direct reports (with appropriate capabilities) to keep these functions operating on an ongoing basis. In the recommendations section of this report, we suggest a specific agenda for this effort that includes building on current efforts within divisions that are candidates for best practices for agency-wide adoption. We report on division-level practices at some length in the body of this report.

2. We also provide suggestions for how the four particular workforce-related issues might be addressed:

    - We recommend that agency leadership consider and clarify a consensus approach to the role of expertise in ALJ hiring, case assignments and management. We also recommend that ALJs be compensated at parity with other senior agency professionals.
    - We recommend that the policy of open, competitive hiring for most positions be analyzed anew, modified to meet current managerial objectives for the agency, and monitored on an ongoing basis using appropriate metrics.
    - We recommend that the ADP gap be filled to provide continuing attention to career progress for employees during their initial periods in new positions.
    - We recommend that a document providing definitive guidance on permissible succession planning be prepared and distributed to agency management.

As part of our report, we are recommending that corrective actions and general improvements, including the implementation of best practices, be taken to address the weaknesses in our workforce-planning process. A description of recommended next steps to be performed is included in Appendix B.

Conclusion

We submitted a draft copy of this report to agency management on August 26, 2015. Their responses to our findings and recommendations (along with our further comments) are located in Appendix A. We benefitted also from informal comments provided by agency management, while retaining our own independent responsibility for the contents of this report.

The issues in this report are based on fieldwork performed during the winter of 2014 through spring 2015. We took opportunities to discuss our findings and recommendations with the related divisions, units, and management throughout our fieldwork, and are pleased to credit their full cooperation with our effort. A listing of documents supplied to IA is included in Appendix C

This report is intended for the information and use of the Commission and is not intended for use by anyone other than the specified parties. However, this limitation is not intended to restrict the distribution of this report as a matter of public record.

Background

The CPUC serves the public interest by protecting consumers and ratepayers and ensuring the provision of safe, reliable utility service and infrastructure at reasonable rates, with a commitment to environmental enhancements and a healthy California economy. Principally, the agency oversees utility services and associated public policy concerns in the communications, energy, transportation, and water industries. The objectives of the California Constitution and the Public Utilities Code are carried out by five Commissioners (the Commission) and over 1,000 employees. The agency has an annual budget of over $1 billion.

In 2014, the Commission created IA to assist in improving the CPUC's internal business functions and to assist agency management in its compliance with external audit findings.[1] IA reports to the Finance and Administration Committee of the Commission, which is comprised of Commission President Picker and Commissioner Peterman.

Based on an organizational risk analysis performed by IA, with the assistance of CPUC management and staff, an audit of the CPUC's workforce planning, staff career development, and succession planning was recommended due to numerous personnel-related risks noted by management. These included concerns about organizational culture, work product quality, the hiring process, employee morale, and knowledge-transfer from employees leaving the agency.

In addition, the Bureau of State Audits has identified workforce and succession planning as one of the top risks facing California state agencies,[2] while also expressing concern about the effectiveness of CalHR's efforts to encourage and support workforce planning by state agencies.[3]

Approval for this audit was provided during 2014 from the Audit Subcommittee (comprising of former Commission President Peevey and Commissioner Picker) to investigate these management processes at the CPUC. The audit team was led by Benjamin Schein, CPA, along with Chief Internal Auditor Carl Danner and IA staff member Gina Adams.

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[1] http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M083/K350/83350123.PDF

[2] California State Auditor 2013. "The California State Auditor's Updated Assessment of High-Risk Issues the State and Select State Agencies Face," Report 2013-601 (September, 2013) (https://www.bsa.ca.gov/reports/summary/2013-601).

[3] California State Auditor 2015. "State Departments Need to Improve Their Workforce and Succession Planning Efforts to Mitigate the Risks of Increasing Retirements," Report 2015-608 (May, 2015) (https://www.bsa.ca.gov/reports/summary/2015-608).

Objective

Through our audit we sought to determine if best practices are being developed and used throughout the agency. We sought to identify those areas and practices that are working well with an eye towards sharing and duplicating them in areas that could use the additional assistance. Key questions asked included:

- Is there any workforce planning being done on a CPUC-wide scale? If not, is workforce planning being done on a division-wide or section-wide basis?

- Is there an understanding of: (a) staffing needs created by agency work requirements, (b) staff resources, and (c) any gaps or overlap between (a) and (b)?

- Is there a plan to develop staff from recruiting/hiring through onboarding up until journey-level status?

- Is critical staff and management turnover being addressed through proactive succession planning?

We also sought to identify control weaknesses and inefficient operations, policies, procedures, systems, and practices as they relate to workforce planning at the CPUC.

Our audit was conducted using the professional standards of the Institute of Internal Auditors (IIA), of which all members of the audit team are members.

Scope

The scope of our audit included documents related to workforce planning from 2012 to 2014. In addition, we tested a sample of 60 employee files for evidence of career planning and employee development for employees hired from 2008 to present.

Standards

This audit covered three general areas:

- Workforce Planning
- Recruitment, Hiring, and Career Development
- Succession Planning

There was a need to define these concepts in practical terms in order to perform audit testing. CalHR defines workforce planning as follows:

"Workforce planning is having the right number of people with the right skills in the right jobs at the right time. Workforce planning is the business process that aligns staffing with the strategic missions and critical needs of the department. It also forecasts the department's future workforce needs to ensure your department will continue to have a talented competent workforce. [4]

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[4] http://www.calhr.ca.gov/state-hr-professionals/Pages/workforce-planning.aspx

CalHR defines succession planning as follows:

"Succession Planning supports workforce planning by calling attention to internal resources of the department. The process involves identifying and developing current employees with the potential to fill key leadership positions, identifying competency gaps, and developing strategies to addressing the needs.[5]"

The State Auditor has observed that:

"California state departments are not required to develop workforce and succession plans, and no state department has express statutory authority and responsibility for overseeing such planning across state government."[6]

Accordingly, there does not appear to be a single set of standards that would clearly apply to the CPUC's operations. However, research into various workforce planning standards and recommendations yielded the following areas of inquiry, which were reflected in the audit proposal that was approved by the Commission's Audit Subcommittee: [7]

- Identify what planning is being undertaken to identify anticipated workforce needs within the agency.
- Identify whether recruitment efforts consider agency-wide workforce needs and utilize techniques that most effectively target candidates with appropriate skillsets for the jobs.
- Determine to what extent management has agreed-upon models that describe useful skills, experience and training for employees in the initial stages of their careers (e.g. first five to seven years), and ongoing training.
- Determine how such models are reflected in employee-specific IDP / ADPs and determine whether there is follow-through with recommendations identified in the IDP / ADPs.

A further question was what audit expectations were reasonable in terms of how extensively or intensively the CPUC is pursuing these activities, given that each of them can be performed in a variety of ways that might be appropriate. Indeed, there is no single "answer" on how to manage an organization's key functions, and each business, agency, or organization should apply its resources based on the principles and models that best fit its needs.

We determined that our essential audit standards would include looking for evidence to determine whether these activities are being performed, at an agency level, in some fashion that appears sensible in light of what the activities are intended to accomplish, and with documentation. We recognized also that a substantial component of this audit might involve providing transparency as to current managerial practices, particularly where agency-wide coordinated efforts might not be found. In interpreting the results we present below, it is important to note that this methodology generally would not support the making of fine audit distinctions between different levels of organizational performance by the CPUC. Thus, we attempt to draw conclusions based on broad and clear patterns of evidence only.

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[5] http://www.calhr.ca.gov/state-hr-professionals/Pages/workforce-planning.aspx

[6] California State Auditor 2015, page 5.

[7] See, for example, the "Workforce Planning Toolkit" resources maintained by CalHR at https://www.calhr.ca.gov/state-hr-professionals/Pages/Workforce-Planning-Toolkit.aspx#best; and, Texas State Auditor's Office 2006. "Workforce Planning Guide," Report No. 06-704 (February, 2006) (www.hr.sao.state.tx.us/workforce/06-704.pdf).

Methodology and Testing

We began by conducting interviews of senior management, including the executive office. We also interviewed HR management to get their perspective on the status of workforce planning being conducted on an agency-wide level.[8] Some of the questions asked during these interviews included:

- Is there any strategic planning being conducted in your section?
- Is there an understanding of workload requirements, and do you do any forecasting?
- Are you able to match up staff resources with workload requirements?
- Who does the hiring for your section, and do they hire based on the immediate needs of the position or with an eye towards agency-wide needs?
- Does your section do any active recruiting?
- Do you have a plan for developing staff for the first seven years of their employment, such as training regimens or assignment progression?
- Do you have a plan for knowledge transfer should you lose key personnel to transfers, promotions, or retirements?

Multiple team members sat in on each interview, and the results were compiled through preparing written notes that were reviewed by all of the IA participants. After collecting information from all the divisions, including the executive branch and the Office of Ratepayer Advocates, we sent out document request lists. These requests included standardized queries, with additional requests based on information obtained during the interviews. We reviewed the interview results and compared them to the documents provided by the divisions. A list of all the documents provided is included in Appendix C. A bibliography is included in Appendix D. In addition, we participated in a review of a sample of IDP / ADPs that was performed under appropriate safeguards regarding confidentiality of personnel records.

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[8] Note that in this audit effort, we interacted with HR and Administrative Services more with regard to their roles in supporting these functions within other divisions and across the agency, rather than auditing the internal operations of HR and Administrative Services. From other work, we are aware of some analogous challenges that exist within Administrative Services, e.g. difficulty in staffing the Information Technology function due to State compensation levels for such skills.

Findings

Agency-Level Findings

Based on our investigation, we determined that overall there is little to no workforce planning, career development, or succession planning being performed on an agency-wide basis. Neither the Executive Office nor HR is responsible for conducting any centralized planning or cross-divisional work in these areas. For the most part, the CPUC has relied on the individual offices and divisions to conduct these functions as they can. This is a key finding that helps to drive the corrective actions we recommend later in this report. It is stated here in relatively brief terms because there was little audit evidence to consider beyond interviews that confirmed the essential point. [9]

Within the divisions, we found individual examples of workforce planning being performed. Some divisions have a useful sense of workload and staff resources, with some effort to contrast the two to gain an understanding of shortfalls. However, many divisions cited the reactive nature of their assignments as a limitation, i.e. they believe that events or actions of others outside the division determine the demands placed upon them, making it difficult or problematic to better define anticipated workloads and needed staff resources.[10] Detailed tracking of time spent by staff is generally not required by management, with some exceptions.[11] Some divisions had documented overall workforce plans for their divisions, and some division directors have regular meetings with their management teams to review divisional goals and procedures.

Divisions also had varied responses to career development planning with regard to their employees. A few had informal onboarding initiatives, and some had a sense of desired training regimens that included specific training materials for some positions. However, there appeared to be little documented understanding of longer-term career planning, especially in terms of moving new employees from beyond probationary status, to where they are well established as full journey-level staff. While many divisions use ADPs to document near-term developmental needs, there appeared to be little follow-up or tracking of professional progression.

For the most part, there is no formal succession planning being done at the division level. While management generally tries to pair off employees who have announced an imminent retirement with junior employees to assist in knowledge transfers, no formal processes exist anywhere. The majority of managers whom we interviewed stated that they avoid any formal succession planning out of concern that they might violate labor laws. We address this question separately below, as one of four particular issues the audit revealed.

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[9] One example of agency-wide workforce planning and recruitment was provided, that of an effort to recruit individuals of a particular ethnic background to apply for a particular class of professional positions within the agency (in order to address a workforce disparity). We were advised that the effort was ultimately unsuccessful in gaining further employees from the targeted group, although a number did apply from among those who were recruited.

[10] For example, Legal Division observed that requests for legal assistance usually originate outside the division, and that certain events (such as PG&E's bankruptcy declaration in 2001, or the current large volume of Public Records Act requests) can cause major, unanticipated impacts on Legal's resources.

[11] We note that several directors mentioned difficulty in obtaining approval for budget change proposals (BCPs). We did not investigate those, but discuss below how information from more detailed and consistent time tracking might have some relevance to the analysis needed to prepare BCPs.

Division-Specific Findings

As indicated above, our principal findings and recommendations relate to the agency-wide scope of this audit. However, we also reviewed the current practices that divisions follow with regard to workforce planning, career development and succession planning.

In the following three sections we describe the results of this inquiry, with three emphases. First, we wish to provide transparency into current CPUC operations, an objective that we regard as significant for the internal audit function generally. Second, we identified some potential candidates for broader adoption as best practices. This information helped to motivate our recommendation to use a collaborative internal approach to develop and institute these functions agency-wide. Third, our division-level information helped to highlight some concerns that agency-wide implementation might help to improve.

Finally, while the information that follows is based on substantial interview evidence and the review of numerous documents, these division-level discussions are not intended to reflect a comprehensive review of each division's activities. In part, this is because the essential finding of the audit remains the absence of these functions at an agency level – which is not addressed by activities underway within divisions or other units. While intra-divisional efforts can be beneficial on their own terms, the agency-wide development of these functions will require an additional and broader focus.

Workforce Planning

A complete workforce planning effort starts with a strategic plan that points to desired organizational objectives and activities, particularly including anticipated changes to the status quo that will affect the workload and thus the numbers and skills of employees required. Forecasts are made for the size and skill mix of the workforce that will be on hand (supply), versus the anticipated workload and the numbers and types of employees needed to meet it (demand). Gap analysis considers expected surpluses or shortages in the workforce based on particular skills or capabilities, and strategic management efforts are then identified to bridge or alleviate those gaps through efforts such as recruiting, succession planning and knowledge management, employee development and retraining, or modifications to the organization's workload or responsibilities.

Another key element is to perform these analyses over time horizons that are relevant to management's opportunity to take remedial actions. For example, if the hiring and initial orientation of new employees takes a year to accomplish, then workforce planning will need to look at least that far ahead if management is to have the full use of that tool as a possible response to anticipated gaps.

In reviewing the operations of the divisions in these regards, we did not find any examples of the entire workforce planning process (i.e., strategic direction, forecasts of workforce supply and demand, gap analysis, and identification of responsive managerial measures to fill gaps). In some instances we did find detailed work plans that included descriptions of anticipated projects or assignments for the coming year, including counts of some activities (e.g. number of inspections to be conducted). However, what was not present were metrics to translate those activities into the numbers and types of staff needed to perform the work. Division managements did generally describe an informal understanding of their current workload demands and resource needs, including numbers of staff they would desire to add (if possible).

Another theme we heard was a sense of lack of control over a number of key workforce planning elements, especially forecasting of demands, but also over the ability to take certain actions to adjust the workforce. Repeatedly we were advised that outside factors greatly influence workloads, and that these are volatile and difficult to forecast. Certainly divisions provided some compelling examples of this, such as the greatly-increased number and scale of Public Records Act requests that are currently straining the Legal Division's resources given its responsibility to screen the responses. However, we would observe that many organizations and firms face uncertain demands, and that defining and measuring workload metrics and staff productivity can at least help define possibilities for a forecast. As well, an agency-wide view could help bring into focus some common sources of workload demands that cut across divisions, and perhaps offer a payoff for an intensified examination of a few key drivers that have a disproportionate impact. Formal proceedings are an example of a priority activity that cuts across several divisions, as well as Commissioners and their staffs, and yet the agency seems to lack a means of measuring its capacity to perform them.

Likewise, problems were described with the duration and uncertain timing of hiring processes, difficulties in obtaining desired budgetary augmentations, and the ability to redirect staff to new priorities if doing so required revising existing position statements. In some cases, divisions make special efforts to manage some of these functions and see associated benefits. Here again, the similarity of many expressed concerns suggests that broader improvements might result from a consolidated approach.

Finally, we did not find any forecasts of the anticipated mix of employees and their associated skills and competencies. In many instances divisional management is aware of particular situations and impending retirements of key individuals, and certain longstanding staffing issues are well-known and sometimes quite frustrating. However, assessing and forecasting the employee pool (or pools) as a whole is a key element of workforce planning that is probably best performed agency-wide.

Executive Office:

It was the understanding of the Executive Office management that there is no overall workforce planning being done at the CPUC. This is in part because the agency struggles to identify strategic priorities and plan or forecast its workload, so there is no basis against which to benchmark the needed resources. The CPUC does not have the option to decline assignments that are presented to it by formal applications and complaints from parties, or from legislation. As a result, increased workload demands have a tendency to stretch staff resources thin, and cause delays in agency actions. Executive Office interviewees assumed that most divisions performed some form of unofficial workforce planning, although such efforts tended to have been reactive in nature with little to no focus on long-term needs at the agency. The Executive Office management does not conduct any analysis or projection of employee resources needed to complete agency-wide tasks or long-term planning. Although it was noted that some ad-hoc agency-wide efforts have occurred in the past (e.g. the recruiting example footnoted above), there does not appear to have been any recent follow-up.

One concern raised was that the agency is restricted in terms of moving people between assignments based on changing demands of agency work. Lateral moves have become more difficult, and due to restrictions on specifically budgeted positions, redirecting an analyst from one assignment to another within the same branch or division can be challenging to accomplish.

Hiring is a concern raised by nearly everyone interviewed for this audit, including the Executive Office. From the time a formal hiring process is instituted for a position, a best-case scenario would be to bring an outside hire in within three to four months. In practice this best case is not often achieved and the process typically takes much longer, which results in a loss of many capable candidates due to frustration and their acceptance of other jobs with other employers able to move faster. In addition, while the use of continuous personnel exams for civil service classifications has allowed more people to become qualified for positions more quickly (including outside candidates, or promotions for current employees), it has impeded the ability of HR to update or "refresh" exam questions because state personnel rules require exhausting the eligibility of an entire cohort of prior successful exam-takers before introducing a new exam.

Human Resources Branch of Administrative Services (HR)

HR is not aware of any overall workforce planning being done at the CPUC. They see the current work of this kind being done at the office or division level as being reactive in nature. HR management sees the need to free up division management time to allow them to take the first step in performing workforce or strategic planning. HR recently underwent a reorganization to streamline operations. This reorganization allowed HR to assign some workforce-related responsibilities to the individual divisions, such as the management of leave balances to comply with the 640-hour maximum accrual rule.

One concern arose during our interview with HR management related to the time required to hire new employees. Multiple sources within the CPUC expressed frustration with the loss of qualified applicants due to the excessive number of months it takes from posting a position to extending an offer. (See the analysis in the "Open versus Promotional Hiring Processes" section below.)

Administrative Law Judge (ALJ) Division

ALJ Division has a substantial set of procedures related to the elements of workforce planning, although (as with most of the divisions) they are not integrated into a complete analysis of workload demands versus the capacity available to fulfill them. ALJ Division maintains an overall "Strategic Plan," which includes information on the division's mission, vision, and values. The ALJ Division uses the following tools to identify resource needs and plan for future workload:

- Workflow Chart that identifies rate-setting procedural steps and includes every checkpoint needed to complete a rate-setting proceeding, including an estimated time for each stage.

- Summary of ALJ Assignments listed by area (Energy, Rail Safety, etc.) identifies each judge and their assigned proceedings.

- Case Information System (CIS) identifies all active proceedings by type (applications, complaints, etc.) and industry area, and is updated daily.

- The CPUC-wide Employee Tracking System (ETS) is used to record judges' time on individual tasks associated with specific proceedings and identify cases that are exceeding their estimated duration. Gaps between expected workload and staff resources are recognized by ALJ management in a qualitative sense, but are not documented regularly in a written analysis.

- The analysis that was required for the transparency budget exercise helped to identify available resources and required responsibilities.

ALJ estimates there are about 500 proceedings opened annually. While some applications and complaints are not predictable because they are determined by the choices of outside parties, the ALJ Division can predict cyclical cases such as general rate cases (GRCs) and other major recurring proceedings. ALJ's assessment is that the majority of its workload arises from the former, unpredictable sources. More detailed forecasts of anticipated divisional workload are not performed.

Communications Division (CD)

CD manages workforce planning by using as a base the analysis its staff prepared for the transparency budget exercise. The components of the workload are broken down into sub-work areas and major functions. Resources are then allocated within the division based on an understanding of all the workload requirements, using the following priorities in order:

- Statutorily required responsibilities
- Active proceedings
- Projects (including those assigned by Commissioners)
- New policy areas, new CPUC ideas, forward-thinking issues

CD management holds weekly meetings to fine-tune issues, responsibilities and priorities. Staff are aware of workload requirements listed above and are expected to budget their time accordingly. Staffing levels are tracked in a division "Staffing Resource and Allocation Matrix Spreadsheet," currently in draft form. Resources are stretched thin across current responsibilities, and an unexpected loss of essential staff person can result in critical work not being accomplished or delayed. Division management spends a great deal of time focused on day-to-day tasks. As such, they do not "look up over the weeds" to strategically address division-wide issues. CD management also uses the transparency budgeting exercise, along with ETS reporting to track actual resources allocated toward specific activities.

Consumer Services and Information Division (CSID)

CSID does not have a specific process for workforce planning, but relies on internal indicators to adjust workforce priorities. Indicators include level of complaints and inquiries received in CAB and PAO, as well evaluation of CPUC decisions that may have consumer impacts. CSID relies on state rules and guidance from HR to ensure vacancies are filled. Some of the long-term plans (such as expanding its existing bilingual services program) were put on hold when funding was not obtained to expand program activities and increase its staffing.

Much of the CSID work is driven by our stakeholders (Commissioners, Administrative Law Judges, consumers, media, intervenors and consumer groups) that make division-wide workforce planning difficult to perform. The division has not conducted analyses of current or expected staffing levels outside of the BCP process (using OGA guidelines). The division has identified a need for an analytical unit, including a supervisor and PURAs to help define workload metrics. One challenge CSID has faced is difficulty in hiring PURAs or other staff with the analytical qualifications needed to perform such analysis. Career growth for Consumer Affairs Representatives has also been affected by a determination that lateral transfers into the Public Utilities Regulatory Analyst classifications must meet the stated educational requirements for the latter position series, rather than qualifying through experience.

Energy Division

Energy Division conducts workforce planning annually, and conducts checkpoint reviews on a quarterly and ad-hoc basis as needed. The 2015 "Goals Presentation" included discussion points on internal communication, workforce development, safety, modeling, and other subjects on which Energy Division focuses, such as distributed energy resources, greenhouse gas emissions, and demand-side management. The listed steps and goals in the presentation appear to match many of the desirable approaches we recommend for agency-wide workforce planning.

Energy Division employs a number of workforce-planning tools:

- Classifications Log tracks third-party contracts and is reviewed regularly for compliance.
- Management documents administrative goals for the division and includes initiatives to identify the necessary positions to support modeling and database capacity within the Energy Division.
- Management tracks and monitors positions associated with BCPs and legislative priorities to ensure those positions are dedicated toward their statutory responsibilities.
- A New Work Tracking (NeWT) process allows management to track and document workflows from initial assignment to final management approval.
- ETS to generate reports on employee time reporting to assist in allocating staff resources.
- Management tracks and monitors all staff resources and may revise the organization chart on a weekly basis to ensure critical tasks assigned to vacant positions are being accomplished. In addition, all hiring actions are tracked on a separate spreadsheet to ensure delays are recognized and responded to. Staff tracking is especially important for Energy as management notes that staff is often reallocated to serve as rotational advisors to Commissioners, assignments that management supports for employee development but which create some challenges for covering the normal workload.

Energy Division management believes a stronger HR presence in overall workforce planning would be beneficial, as many major assignments (such as energy utility rate cases) cross divisional boundaries (including ALJ and Legal).

Legal Division

Legal Division management considers it difficult to predict workload because they do not generate their own assignments. Work tends to be reactive in nature, and imposed by outside sources (Legislature, lawsuits, etc.). Legal Division tends to serve in an advisory role to ALJs, Commissioners, and line divisions. Legal can serve in advisory, advocacy, and quasi-judicial roles.

Some divisions alert the Legal Division of upcoming assignments (assistance requests for rate cases, etc.), although it is more common for a division to ask for an urgent legal opinion “right away.”

The CPUC does not have an automatic Legal Division review process for proposed CPUC decisions before they go on the Commission meeting agenda, although judges or divisions can make such requests in individual cases. Each proposed decision receives an independent review from the Legal Division when it is circulated to the parties and placed on an agenda.

The current controversy regarding the transparency and communications of the agency has resulted in a deluge of Public Records Act requests. The Legal Division normally receives about 10-15 requests at any given time. More recently, the Legal Division has had to try to cope with 200-250 pending Public Records Act and subpoena requests. Many of these requests are stated in broad or vague terms, and huge numbers of documents must be reviewed to fulfill them in good faith. Since the San Bruno tragedy in September of 2010, the Legal Division has twice submitted BCPs for additional staff and has been unsuccessful.

In July, 2014, the Acting General Counsel presented a Strategic Planning for Legal Division document that includes a ten-step process and timeline, organization charts, duty statements, safety checklists, etc. In addition, the Acting General Counsel sent a memo on a new proposed Legal Division structure to the Commissioners on October 2, 2014. This memo detailed a proposal for a new functional structure, a new Deputy General Counsel to ensure continuity of best practices, and a consistent template for providing legal advice and counsel. The new, permanent General Counsel has reviewed and revised the proposal, with a plan to reorganize Legal Division in 2016.

Legal has instituted a monthly case log to track the attorneys' assignments. In addition, effective March 2014, attorneys update and submit quarterly progress reports of their assignments to the Assistant General Counsels for discussion and evaluation.

Office of Governmental Affairs (OGA)

OGA management listed a number of concerns about their ability to manage and plan workload. As their role is mostly reactive and dependent on outside parties (primarily the Legislature), it is difficult to budget or plan for assignments, although the division does have a "Workplan" spreadsheet showing activities and process flows, along with a Commission Memo that documents how the office is managed. The need for an agency-wide onboarding process was noted. A key management or coordination concern for OGA is its dependence on expert assistance from CPUC staff in other divisions for analyzing the substance of legislative proposals, staff over whom OGA has no authority. OGA has been working with its divisional liaisons to encourage them to include performance in this role as a factor in staff performance appraisals.

OGA does use its own Procedures Manual that includes a substantial range of subjects from an introduction to various types of assignments, to document-retention guidelines and parking policies.

Office of Ratepayer Advocates (ORA)

ORA emphasizes that it is a separate office within the CPUC that has a specific mandate to represent customers, usually in proceedings. The skill sets needed for that work generally do not change over time, although the focus of the office can change in response to specific circumstances (such as an emphasis on safety after San Bruno). The different functional branches of ORA (such as Electricity Planning and Policy and Energy Cost of Service) publish work plans that include information on dockets, staff assigned, due dates, issue descriptions, etc. These are used by management to help budget staff resources. Management expressed frustration over the difficulty in moving staff between functional areas. As the specific nature of positions tends to be spelled out when they are budgeted, ORA believes it is difficult (for example) to move a person filling a position budgeted for energy procurement to work on energy rate setting. Staff resources are also generally at a premium, as the office is still requesting augmentations it views as necessary to address the new issues and concerns raised by the San Bruno tragedy in 2010.

Workload planning is usually easier for work products (such as proceedings, which are better defined in terms of timelines) than policy analysis. Time tracking is performed more through numbers of positions, than staff hours devoted to particular tasks.

News and Public Information Office (PIO)

The PIO has expressed a need for additional information and graphic designer positions based on workload requirements. The division does track contacts made to their office as well as a spreadsheet of community events that their staff participate in. In addition, the division maintains a repository of all press releases in a searchable format on the public website.[12]

Policy and Planning Division (PPD)

PPD publishes an annual workforce planning report detailing what the division hopes to accomplish in the following year. It includes a discussion of agency-wide strategic development, examples of projects (such as the "Thought Leaders" seminars), and studies / policy analyses to be performed. This document, prepared by the annual planning committee comprised of management and senior PPD staff, is used as a basis for determining a proposed workload for the division, and staff resources are matched to the assignments. Newer staff members are paired with more senior analysts to gain experience in different projects.

Safety and Enforcement Division (SED)

In SED, most of the workforce planning is done through the BCP process. The division keeps extensive records, including various "Resource Needs" documents produced by the various branches to support BCP requests. The BCPs themselves refer to the scope of responsibilities for the division, such as the numbers of programs / bridges / rail crossings / tasks that SED is required to administer. They also list the positions available to perform these tasks. However, there does not appear to be documentation as to how long these tasks take to complete, or comparisons between the aggregate workload and the staff hours available to perform it. In addition, SED publishes an annual plan. The plan includes a description of ongoing and current projects, as well as the numbers of inspections, audits, open proceedings, etc. in some detail across the division's various units.

A "blue-sky" assessment of workforce needs was attempted a few years ago under former SED Director Brigadier General Hagan, which intended to link statutory requirements to available and needed resources. The analysis was never finalized or distributed.

Due to the reactive nature of their work, SED cites the difficulty of conducting any workforce planning. A major incident can thus result in substantial backlogs of regular work due to SED not having any staff resources in reserve, and even some individual employee circumstances (such as a major illness) can hinder the ability to perform some of the division's assignments.

Despite the difficulties mentioned by management, SED does believe that it has a fairly good sense of upcoming workload, including the number of audits and inspections and when they will be occurring. SED also believes that it has a good idea of when major proceedings will be starting. Work products, dates, and priorities the division must satisfy are not linked to a specific assessment of staff resources, although management's sense is that the available staff is just about adequate in number to fulfill the entirety of the anticipated tasks for the division.

Division of Water and Audits (DWA)

DWA uses the Water Action Plan (last updated in 2010) to link workload to staff resources. They also use prior filings by utilities to help plan workload needs. The Audit Branch has regular audits as well as those generated by Commission decisions, which are not as easy to anticipate. While there is no "gap" analysis done, the division manages the intermittent audits by temporarily shifting responsibilities and hiring retired annuitants as needed.

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[12] http://docs.cpuc.ca.gov/newssearchform.aspx

Recruiting, Hiring, and Career Development

For any large organization, the recruitment, hiring and development of employees has two aspects – meeting the immediate job requirements of the position or unit into which an employee will be placed, and addressing a broader or longer-term view of the kinds of staff who will be useful to the organization in a variety of roles as they progress through a potentially lengthy career. With regard to these functions within the CPUC, we found that the former perspective dominates and the latter perspective is almost entirely absent. While the balance between these two approaches is a matter of judgment and there is no set formula for management to follow, we doubt that the current weighting is optimal for the development of a fully-effective workforce, or for the career satisfaction of agency employees and the corresponding attractiveness of the CPUC as an employer.

A variety of divisional practices are described in the narrative below, including some that have robust features and serve as potential best practices. We would note particularly the ALJ Division's program for developing judging skills and perspectives among its new hires, and some of the training and development assignments other divisions described. However, each of the efforts we found stops at the division's boundaries. No tracking or follow-through occurs when employees change divisions, and there is no program of common elements recognized across the agency for the development of staff in classifications or career paths that cut across divisions.

Similarly, we noted that final hiring authority seems to be devolved below senior management in most (but not all) divisions, often to the supervisor level. It is certainly understandable for a supervisor to help select those who will perform the work for which the supervisor is responsible. On the other hand, State Service hiring can represent a commitment of several decades and large sums in salary and benefits, so there is a concern about avoiding hiring mistakes and obtaining candidates who are suited to a broader career across the agency. The use of probationary periods to weed out poor performers is a partial check in this regard, although that duty also falls primarily on the supervisor who may have made the hiring decision to begin with. While we did not perform any testing of hiring quality, we would ask whether it would be advisable to add a more centralized dimension to these decisions.

Executive Office

There are currently discussions concerning agency-wide recruitment and career development occurring at the executive level. Some of the ideas being considered include modifications to job classifications, and updating exam questions. The Executive Office has directed HR to conduct some job analysis surveys to solicit input for potential updated exam questions to target recruitment toward candidates. However an overall staffing analysis to determine agency-wide workforce needs and recruitment efforts has not been done. Major concerns expressed include a lack of overall organizational knowledge, and employees being "siloed" into professional roles that are narrower than may be helpful. However, there is no agency-wide knowledge or understanding of an overall "staff inventory," especially in terms of skills, qualifications, knowledge and abilities.

Hiring appears to be done independently on a division-wide basis, usually through hiring managers at the supervisor level. New employees are brought on to fill immediate and "local" needs of the division / branch / program. There appears to be no effort to address agency-wide needs when making hiring decisions.

In the Executive interviews we heard both about stated advantages of an adopted CPUC policy of hiring for most professional positions through procedures open to outside candidates, and concerns about potentially problematic side-effects of that approach. We address this question as one of four specific issues given separate treatment later in this report.

There appears to be no ongoing tracking of professional training for career progress of employees at an agency-wide level. The Executive management believes that training requirements have mostly shifted to the division level, with some work being done through HR. Executive management believes that career development is beginning to be undertaken at an agency-wide level, although there are currently no agreed-upon models or visions of professional capabilities or standard skill-sets that new employees should have or develop to advance to journey-level productivity or responsibilities. Substantial onboarding briefings for new employees are only occurring irregularly, or on an ad-hoc basis.

Human Resources

HR expressed concern about a lack of consistency in the recruitment, hiring, and career development processes. HR recognizes the need to identify common core skills, and to increase and standardize CPUC-wide general skills and employee development efforts.

Generally, supervisors are making hiring decisions, often with little to no input from upper management or HR. Related problems HR sees with hiring decisions can run the gamut between over-specialized for a specific task / assignment, to hiring staff who are over-generalized.

There is currently no onboarding process for the CPUC as a whole, although some divisions have either an informal "buddy system" or some basic checklist of information for new staff. A group that includes divisional staff is working on developing an agency-wide onboarding process.

Duty statements can be used as a general tool to identify skills and responsibilities for career advancement. HR has expressed a concern that divisional management is not consistent in the use of duty statements. Some have duty statements by job classification, and some have statements for individual tasks. Many statements have not been updated in years, although the new employee evaluation forms (ADPs) include a requirement for an updated duty statement.

The CPUC does not currently have a specified career plan for most job classifications. A career plan could identify a career path and required skills and abilities for advancement or promotion. or path for staff to assist and track development. HR relies on the supervisors to provide such assistance, but provides resources if requested. The agency does have the option of "promotions-in-place" for lower level analyst positions (such as PURA I-III). HR is currently working on an overall staff Career Development Guide, but the document has not yet been finalized. The draft document includes career path flowcharts for different classifications, standardized training regimes, and other materials that appear potentially useful for this purpose. Some efforts are being made, including an ALJ "boot camp," and a mentoring program for supervisors and managers.

Staff does have access to Lynda.com, an online training resource, and the agency has over 400 employees registered on the site. There is currently no tracking of which classes have been taken by employees. There are also some efforts underway to track mandatory training for staff, but this is also in progress.

Lateral transfers or training-and-development assignments are tools that can be used for career development. While many directors have expressed concern about the inability to move people between functional areas without the requirement to post the position, HR believes that there is more flexibility to transfer staff than is being utilized.

The CPUC has a requirement for staff to have an ADP performed on an annual basis using a new form that includes the ability to document career development goals. Notwithstanding a recent emphasis on this requirement within the agency, some staff still do not have current performance reviews on file. In addition, divisions use a variety of anniversary dates for determining when the annual performance review should be completed (based on birthday, employment anniversary, or fiscal / calendar year), and this complicates the monitoring of compliance. A report is generated and sent to the deputy executive director showing how many ADPs have been submitted and entered into personnel files. However, the document does not provide fully complete or consistent information, given issues such as determining the annual compliance date, whether an employee is in the "blanket," or whether a staff member is on probationary status with a new position and is receiving probationary reports instead. We address this latter question below, as another of the four specific issues given separate treatment.

The IA team sought to determine the extent to which tracking of career planning and employee development is done for staff within the first seven years of employment. As a basis for testing, we obtained a list of the 358 employees who were hired from 2008 to present. 17 were excluded because they were hired into senior level positions (division directors, for example). Of the 341 remaining, the employees were grouped by division and unit numbers in order to select a stratified random sample of 60 from within the units, using an Excel spreadsheet random number generator.

The list of selected employees was given to HR, who pulled the files. In a testing process in a closed room where the employee files were handled only by HR management, a checklist was filled in noting how many years the employee has worked for the CPUC, whether evaluation forms (Probation, IDP, ADP) were present, and the extent to which the employee's management had documented any employee development or career planning notes using a 0-3 scale (a score of 0 meaning no descriptions or notes were included, and 3 indicating extensive feedback and notes). Employee development was defined as looking forward up to a year and related to an employee's current position, while career planning took a longer two to five year horizon and could look beyond a current position.

Overall, most employees in the sample had at least one current probationary or IDP / ADP report in their files and often more (such as a mix of these reports over several years), although many did not have the full complement of three probationary reports (where applicable) that are recommended by HR practices for the first year in a new position. A few of the selected employees were recent hires and no reports were due by the time of testing. See a summary of the results of our testing in Table 01 below.

Table 01 – Summary of Employee HR File Testing

	Files Sampled *	Files With Current Forms	Files With Employee Develop.	Avg. Employee Develop. Score	Files With Career Planning	Avg. Career Planning Score
Admin	10	10	10	2.4	5 **	1.8
ALJ	4	4	2	2.0	0 **	0.0
CD	3	2	2	2.0	2	2.0
CSID	2	1	1	3.0	1	2.0
Energy	9	8	8	1.6	2	2.0
Exec	2	0	0	0.0	0	0.0
Legal	2	1	1	1.0	0	0.0
ORA	8	5	5	2.0	3	2.0
PPD	1	1	1	2.0	0	0.0
SED	10	9	8	2.4	2	2.0
Water/Audits	2	2	2	2.5	0	0.0

* - Excludes seven new employees for whom probation reports or ADPs are not yet due.

** - One employee file did not have documentation of career planning for a reason HR management deemed legitimate.

For whatever form was included, nearly all had at least some discussion of employee development (ways the employee could improve in their current job environment). Administrative Services, SED, and DWA all scored highly on the quality of their evaluation notes. The majority of forms did not include any notes or discussion of career planning or ways an employee could work beyond his or her current position. There appeared to be no pattern among divisions as to those employees who had notes on career planning, and it seemed likely that any feedback of this nature was provided by individual supervisors on their own initiative.

Administrative Law Judge (ALJ) Division

Hiring decisions are made by the Chief ALJ. The four assistant chiefs also assist with various aspects of the hiring process. Decisions are made using multiple criteria, including the statement of qualifications (SOQ), writing samples, interviews and background checks.

The hiring process has been mapped out by ALJ management in an Expected Timeframes for Each Step of the Hiring Process document, including expected time frames for both the division and HR. Concerns have been raised about how long the hiring process can take, including its potential impact on the ability to attract the most qualified candidates. Duty Statements and Templates are also tracked on a spreadsheet for consistency purposes.

ALJ Division does its own recruiting, including outreach to the legal community, ads in the Recorder and Daily Journal. The Chief ALJ also pays attention to the performance of internal legal staff to identify possible recruits. In addition to salary concerns addressed below as part of a separate issue discussion, the division is working on obtaining the ALJ III classification for the CPUC (available to attorneys only).

New ALJs go through a two to three week on boarding "boot camp," provided by the division. In addition, there is a rate making workshop every April, and ALJs are required to attend the

National Judicial College at the University of Nevada, Reno. Judges are also sent to the Fair Hearing Course, a two week offering that covers rules of evidence, elimination of bias, and decision writing. The Chief ALJ conducts further training every quarter. Courses provided by the division include the different parts of decision writing, judicial ethics, and courtroom decorum, policies, procedures and security. The ALJ Division also publishes a Resource Guide that contains information including:

- Division orientation material
- Decision making presentation
- CPUC procedures
- Scoping memos
- Rate setting and adjudicatory milestones
- Internal review process
- Forms for submitting work to the STAR unit[13]
- Judicial review statutes
- Ethics for ALJs
- Primer to evidence in CPUC proceedings

Generally, it takes a new judge about three to five years to become capable of handling the most complicated assignments, given the varieties of knowledge and skills required by the role. Even experienced attorneys from the outside can take a year to learn CPUC policies, procedures, and its internal structure and working relationships.

The ALJ Division works on addressing expertise gaps by using the practice group concept, described in a "Mentoring Through Practice Groups and Co-Assignments" document. ALJs are assigned to "homeports" each headed by an Assistant Chief ALJ. The opportunity for assignments such as Training and Development Coordinator, STAR Unit Advisor, Food Bank and ALJ Coordinators, is used as a means to help identify leadership potential, with an eye towards helping to develop future candidates for Assistant Chief ALJ responsibilities. Judges are invited to express interest for these volunteer positions.

The ALJ Division utilizes time tracking reports from the CPUC ETS system to assist in keeping track of assignments, with judges indicating time spent by proceeding and by a variety of specific tasks within each proceeding. The ETS system is also used to examine "unallocated time" during proceedings to help better manage the judges' available hours. Caseloads and settlement rates are tracked on an annual basis in the "ADR Cases: Results 2005 Forward" from 2005 to present. Assistant chiefs meet with every judge every two to three months to go over workload. As well, the division has regular meetings with the management in Energy and Communications to address upcoming matters and staffing needs.

The division maintains a List of Active and Reopened Proceedings by Proceeding Number, including important dates, status, and assigned judge. The division also maintains a list of all active Commission Rulemakings. These aid management in budgeting time and anticipating demands on the division.

Based on their analysis, ALJ management believes the division is understaffed by about 20%, although specific metrics to measure division capacity and overall workload were not available. This staffing shortfall is mainly due to the agency not holding more frequent civil service examinations for ALJ candidates, and a corresponding inability to keep authorized positions fully staffed. Turnover is also a concern for productivity, given the time needed for newly-hired judges to develop their full capabilities. The division brings in limited term positions and retired annuitants to help bridge the workforce gap, along with some rotational employees. The ALJ

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[13] The STAR unit provides document preparation and related support for the ALJ Division.

Division publishes an Annual Intern Report as well as a description of the Internship Program for 2015-16 as a factor in their workload analysis.

Communications Division (CD)
Hiring is done mostly by supervisors, unless management sees something unusual. Decisions are mostly made to fit local needs, but senior management does try to look at the bigger pictures when reviewing potential candidates. CD has a dedicated HR liaison who keeps the director apprised of HR-related matters.

Some onboarding is done, but not in a formal manner. The division does have checklists for supervisors to do for new employees. These include checklists for New Employee’s First Month, and Remainder of New Employee’s First Year.

Management also uses ADPs to identify training needs (uses a regular schedule based on birth month beginning April 2015), either for career development or skill needed / requested for current job requirements.

CD management support rotational assignments, sending management to mandatory classes, establishing training classes for staff on standard topics (Critical Thinking, Rate-setting Legislative Bill Analysis, etc.), and encourages the use of Lynda.com. CD also uses the analysis of certain less-complicated Advice Letters and preparation of Resolutions as training tools for new staff, to provide exposure to all steps of the process.

Consumer Services and Information Division (CSID)
CSID does not have a division-specific process for hiring. CSID relies on state rules and guidance from HR.

CSID does have a number of procedures manuals that cover the basic job functions for staff in the division. Training is usually done in-house, using “Quick Start Guides.” There is no formal training regime for staff, or a formalized/documented cross-training program. However, unwritten division policy is to expose staff to different areas through rotating work assignments. The division also holds offsite meetings to discuss areas of importance for staff; a review of meeting agendas showed a diverse group of relevant topics, including training and technical discussions. Other divisions have assisted CSID in training their staff on the technical basics and issues associated with various services, an aid since consumer affairs representatives often assist the public with a variety of services and technologies. Management has noted training from Energy, Communications, and Water & Audits as being particularly useful. CSID utilizes the Annual Development Plan (ADP) process to require all staff to identify and take training courses on Lynda.com to enhance their work skills, and all supervisors to identify training courses on Lynda.com for each subordinate to continually develop individual skills. A formal documented training development plan for CSID is in the process of being developed, but is not yet complete.

Energy Division
Energy is working on an onboarding checklist for new employees, and the division has an assigned staff member responsible for training. However, management believes that responsibility for general training and development (especially for generic classifications such as PURAs) should reside with HR. Energy uses the basic training / tutorials on the CPUC Intranet for routine administrative information (timesheets, travel). The division also has extensive training in both technical areas (general rate cases, transmission planning, etc.) as well as mandatory training in areas such as how to run an effective meeting, write emails, etc.

Hiring is done at a supervisor level for staff employees. Supervisors are hired by program managers, with input from the director. The Energy Division hiring process is documented ("ED Roadmap to Hiring a New Employee"), and this has also been shared with SED. Energy Division generally prefers not to promote in place, but would rather the employee gain advancement by moving around to other branches within the division to broaden their knowledge of the energy industries and their regulatory oversight.

Legal Division

Hiring for the division is done by a management team with rotating panel members. Management looks to hire a mix of generalists and specialists to diversify the division's legal knowledge base. When making final hiring decisions, Legal does look for someone who can benefit the CPUC as a whole.

Case assignments are made with an eye towards developing staff attorney knowledge. Newer attorneys are assigned more straightforward cases, usually with a more senior attorney to oversee them. If a new attorney is brought on with a great deal of prior experience, he or she could be assigned a major case right away. Management tries to identify gaps and use cross-training of staff to help fill them. There are rotational opportunities for attorneys in other divisions, and interns are hired in the fall and summer months. Retired annuitants can also be brought on to assist with specific workloads.

Legal Division publishes internal "Conflicts Practice Guides" that include step by step instructions on how CPUC attorneys can handle various issues (Contract Related Conflicts of Interest, Outside Work and Activities, etc.).

ADPs are conducted annually, and are used to identify training opportunities. While Legal has not identified specific training courses (other than some basic introductory ones), if an offering appears useful it is flagged by management and sent around to staff. All Legal staff are offered the chance to participate in the Conference of California Public Utilities Counsel (CCPUC) professional association and activities.

Legal does do some recruiting, often at job fairs. There is continuing interest in legal careers at the CPUC, and open job postings can often generate 200-300 applicants.

Office of Governmental Affairs (OGA)

OGA holds weekly meetings with all staff members to review goals and what they hope to accomplish. They do not have a training regime, but OGA has included staff from the Legislature and the Governor's Office in its retreats. Documentation of staff development and career planning is done via ADPs. It is difficult for OGA to retain staff for a number of reasons; including the potential for employees to take positions outside the agency for significant increases in pay (because lobbying experience and skills are readily marketable). In addition, staff is not in exempt classifications, which creates managerial challenges for the odd hours that are needed for them to keep up with legislative sessions. Hiring is done by coordinating with HR.

Office of Ratepayer Advocates (ORA)

Hiring is done in ORA only to meet local needs, due to the independent nature of the office. ORA has its own budget, which is arranged directly with the Department of Finance. Hiring decisions are made by managers, and are based strictly on the candidate's score, with a belief that only the number one candidate can be considered. Management has expressed a desire for more flexibility in the hiring process, such as being able to conduct interviews, and base decisions based on discussions rather than scripted questions. ORA is working on a new employee manual, and has expressed an interest in conducting onboarding training.

Career advancement is a major concern in ORA. For PURAs, there are no promotions in place above level III. Employees must change positions and subject matters in order to advance, a situation that many find objectionable. By not allowing more promotions in place, it is difficult to keep an employee in one subject area to gain deep expertise – something that can be desirable for serving as a testifying expert in regulatory proceedings. ORA does not have a system in place to develop staff in addition to on the job training. However, new employees must demonstrate expertise during their probationary period by giving professional presentations at group meetings. ORA provides technical training (expert witness, testimony writing, etc.) on an irregular basis. Staff is also encouraged to attend rate making school and to take the initiative to pursue continuing education.

ORA has an Management Policies (Operational and Administrative) document, last revised in 2010. It includes policies on work hours, guidance on advocacy through lobbying, media contacts, management processes, and personnel issues.

ADPs are closely tracked by management using a color-coded spreadsheet to ensure submission requirements are met. Management is reminded on a monthly basis to see that ADPs are completed and submitted on time.

News and Public Information Office (PIO)

The division requires at least one training class per year for all staff. The head of the office makes all hiring decisions, in conjunction with at least one other person. Decisions are made to meet local / division needs without consideration for agency-wide requirements. One concern expressed is that job requirements in PIO are narrowly focused, and do not translate well to working in other divisions. The information officer position, while requiring analytical ability and the skill to deal with the media, cannot transfer / promote into other classifications (such as PURA) absent having the specific minimum qualifications (e.g. educational) that go beyond information officer experience.

There is no formal training program or regime for employees, although there is an unofficial job shadowing process that is not documented. ADPs have not been performed on a regular basis.

Policy and Planning Division (PPD)

In PPD, staff is encouraged to take promotional exams. The director sees staff development in PPD as a means to cycle qualified staff through to the other divisions. This allows for fresh perspectives for PPD, and for knowledgeable staff to benefit the line divisions at the CPUC. Staff is hired into PPD based on the perception of their drive and initiative, using existing promotional lists.

Hiring is done by the director, with assistance from senior (or former) PPD employees

Safety and Enforcement Division (SED)

Hiring is usually done at a supervisor level, with some input at the manager level. Decisions are made to meet divisional needs, with some effort to allow for rotational assignments. SED uses the “hiring roadmap” created by the Energy Division to assist management. Cross training does occur in similar functional areas (within energy issues rather than between rail safety and telecommunications). Management is unaware of any general recruiting efforts, although rail inspectors are sought specifically from those with substantial railroad operating experience.

Training efforts differ between functional areas within SED. Rail inspectors have a defined training program, although management cites the challenge of constantly replacing engineers who leave for the Federal Railroad Authority (FRA). Training as a Professional Engineers (PE) occurs under strict guidelines for supervision and fieldwork, and that credential is required for promotion to senior engineer. As a result, this training is pursued on a consistent basis within the division. Some training is also required for working under federal grant programs. Otherwise there is not a clear training regime for staff, although some courses (such as rate making school) are encouraged.

For some other positions (such as Transportation Representative), there is not a clear career path. Many of these classifications do not pay a competitive salary, and cannot transfer to the PURA classification without meeting additional education requirements.

Division of Water and Audits (DWA)

Hiring and recruiting are considered very difficult for divisions to do. Hiring from the outside is difficult due to the lengthy hiring process. By the time an offer can be made, most of the highest scoring candidates may have dropped out to take positions with other employers. Hiring decisions are made to meet local needs.

Career development is left to individual supervisors. Training and Development assignments were used for staff that showed initiative. However, some staff had complained about assignments that they might have wanted (that were given to others), so the process was discontinued. All employees attend the ratemaking school as part of their development, and auditors attend continuing education classes.

Longer-term employee development within DWA is difficult due to the limited promotional opportunities that are implied by the relatively small size of the division. However, the smaller scale of some of the water utilities does provide a useful training opportunity in that an analyst can have the ability to work the entire breadth of a small rate case – including many functional elements -- at a manageable scale. This is desirable experience for other divisions (e.g. Energy, ORA), and many new staff DWA tend to learn these processes in a few years, and then get promoted into a larger division. When those moves occur, DWA loses track of the employee and his or her further professional development.

DWA publishes a standard practices guideline for various rate cases to assist in training new employees and allowing for consistent approaches to water rate cases. The Audit Branch has an audit guide that includes a discussion of Mission, Vision, and Values, along with professional standards, workpaper templates, quality control, and the branch training policy and plan. This document is the informative source for work standards for the auditors.

Succession Planning

Of the functions reviewed in this audit, we found the least activity underway for succession planning. Aside from the informal pairing of junior staff with more senior experts who have announced an impending retirement, little is done although we did find a couple of candidates for best practices that might be instituted more broadly (e.g. the manager's long vacation, and the ALJ Division's informal leadership opportunities).

As discussed below as one of the four particular issues that were identified, part of the problem appears to involve a misunderstanding about the legality of succession planning efforts. Resolving that issue would help clear the way for developing this function further.

Executive Division

There is currently no official process to conduct succession planning on an agency-wide scale. The CPUC needs to identify important roles / knowledge bases / skill sets and ensure that these are not lost through any form of attrition. The understanding at the CPUC is that the current hiring / exam process makes any form of succession planning impossible. Any work in this area currently being performed is being done on an ad hoc basis, usually with people close to retirement volunteering to mentor or team up with staff to transfer knowledge – an example of knowledge transfer, versus developing individuals who may become ready to assume key roles or leadership positions.

Human Resources

HR is not aware of any formal succession planning being done at the CPUC. HR management is keeping succession in mind for their own operations, and making hiring decisions with that in mind. A common concern at the CPUC among the divisions is that succession planning would result in the perception that management is identifying favored employees for pre-selection for promotions. HR management expressed to us that this is not an accurate concern, and stated that succession planning is a valuable tool for management.

Administrative Law Judge Division

The Chief ALJ actively ensures that pending retirees compile checklists and perform knowledge transfers. More senior judges are paired with junior ones to give them more exposure to more complicated issues, particularly regarding certain skills such as conducting major rate cases. Currently, a retiring ALJ is working on putting together some succession planning training material. As mentioned previously, ALJ uses voluntary leadership opportunities within the division as a way to identify judges who might be interested in management roles, and to provide them some training in related responsibilities. These opportunities are open to all judges.

Communications Division (CD)

The division has used “acting” positions to fill management jobs in the past. Otherwise, no formal or informal succession planning is currently performed.

Consumer Services and Information Division (CSID)

CSID does not have division specific processes regarding succession planning or developing successors. In regards to developing successors, they believe that is an issue to be determined by HR. Management does match up people so that more experienced staff “peer-trains” the newer staff. Some experienced staff also return part-time as retired annuitants.

Energy Division

Management considers knowledge loss a major risk. They are working on a process to retain important documents. With upcoming retirements of the only three employees with in-depth knowledge of energy cost of service rate cases, there is a major interest in bringing in PURAs to work on a knowledge transfer in this very technical area. Management also encourages more senior staff to take long vacations to allow other staff the opportunity to perform more responsible work assignments, e.g. become an acting supervisor for a week or two. This approach was recommended by the Deputy Executive Director, and gives staff a period of hand's-on training and experience in the role while allowing senior management to mentor them and observe their performance. The director has given some thought to succession, and is aware of individuals who could be successful candidates to run the division should he step aside for any reason.

Legal Division

Legal used the disruption of the carpet replacement project (i.e. the need to empty offices of all furnishings) as a reason to clean out filing cabinets and put information online. Attorneys who are expert in certain fields are often assigned a junior attorney to assist in knowledge transfer. This is especially critical in Legal as many attorneys are close to retirement age, and the division recently lost a number of experienced staff without adequate knowledge transfer planning.

There currently is no central database on technical subjects or particular topics of prior legal research. For example, an attorney asked to provide an opinion on an energy transmission issue would not have a database of prior decisions / opinions on the subject to search electronically, or use as a reference. Legal Division has designed and will be implementing a pilot program for an on-line "bank" of research and analysis that attorneys can access via an existing application.

Office of Governmental Affairs (OGA)

Succession planning is considered challenging within OGA due to qualities that are essential to success in this role, e.g. specific knowledge of legislative history and deliberations, and personal relationships within the Capitol. Practically speaking, it can be difficult for agency analysts (e.g. PURAs) to gain broad practical political experience, so succession planning for the director position might necessarily have to feature inside and outside candidates. Similarly, replacing a senior PURA in OGA would also be difficult due to the need for knowledge of bills currently in process at any given time.

Office of Ratepayer Advocates (ORA)

The director position is decided by the Governor. The current director has a clear idea of some personnel who can fill in if senior positions become vacant. Knowledge loss is a major concern, with rate design staff leaving. Management is doing what it can to cross train staff in areas where potential staff losses can be identified. Management believes that hiring rules (as well as the inability to pay competitive salaries) are hindering the ability to bring on knowledgeable staff.

News and Public Information Office (PIO)

There is no succession planning being performed at this time. Some attempt at cross-training is being performed with an eye towards knowledge retention. Important contacts are kept on a spreadsheet that is shared among staff. The unit is working with SED to create "fact sheets" of commonly asked questions to aid staff in answering questions from the media.

Policy and Planning Division (PPD)

No succession plan exists in PPD. The director is aware of candidates who might be able to take charge if she needs to be replaced.

Safety and Enforcement Division (SED)
SED believes it has a strong core management group. The deputy directors have direct reporting staff, are fairly autonomous, and are each capable of filling in for each other or the director if need be. SED also encourages the use of "acting" positions on a temporary basis to help employees gain experience. There is less confidence in succession planning below the senior management level. Due to staff specialization, there is a great deal of knowledge concentration that management recognizes as a concern if people leave. Management is working on retaining essential knowledge, using the SharePoint program.

Division of Water and Audits (DWA)
DWA does not engage in succession planning due to concerns about violating state labor laws. If information about a planned retirement is volunteered, management works with the employee to assist with knowledge transfer. However due to the relatively small size of the division, and the fact that most staff are already cross-trained in multiple areas, a short-term loss of an employee can be covered by shifting responsibilities among the remaining employees.

Other Audit Issues:

Administrative Law Judge Expertise

Background

One notable issue was raised by our interviews with current and former management of the ALJ Division. This concerned our audit questions about recruiting and hiring, and a vision or profile of capabilities and experience for effective journey-level work.

To summarize, we found a significant difference of opinion regarding two visions of ALJs that relate to suitable qualifications, professional development and work assignments:

- Should ALJs primarily be viewed as general-purpose judges (primarily attorneys) who can be assigned to any matters without a need for technical expertise on related issues?
- Or, should ALJs be viewed as judges who may have substantial technical expertise (both attorneys and non-attorneys), and who can be assigned to cases based on their specialized knowledge?

This difference of opinion even extended to what the actual practice is today, i.e. whether ALJs are being assigned to cases based on their technical expertise, or not. We received conflicting responses on this question of fact. As discussed further below, these two, conflicting visions raise some questions about the CPUC as an agency that is presumed to act on the basis of expertise.

A further concern is that the current compensation of ALJs within the CPUC's salary structure may make these positions unattractive to some of the more capable potential applicants, cause unnecessary turnover and learning curves (for replacements), and create a potential conflict of interest issue regarding post-ALJ employment in other positions within the agency.

For these reasons we recommend that CPUC Commissioners and senior management actively consider and address the two conflicting visions of ALJ capabilities and assignments, as well as their pay and professional status as compared to other senior staff positions.

Audit Evidence

In our interviews, we found two significantly different versions of a vision of the most suitable capabilities and background for successful work as a judge in CPUC administrative proceedings. Both of the visions share some common elements, including qualifications for ALJs that should include:

- a deliberative temperament that is open to considering a variety of points of view, and which shows respect for the facts;
- respect for the elements of due process and the fair treatment of all who appear in CPUC proceedings;
- skills as a capable writer;

- the ability to manage multiple proceedings at once, while still meeting deadlines; and,
- the ability to reach reasoned decisions despite a necessary lack of complete or perfect information in many instances, and competing arguments and values that may be involved.

As we discuss elsewhere in this report, the ALJ Division does pursue a program of staff development and managerial supervision that is intended to bolster these qualities.

Where the two visions diverge is on the topic of expertise in particular professional disciplines or subject matters that are integral to the CPUC's responsibilities. These include certain academic or professional disciplines (such as economics, finance, accounting, engineering, and law), subject matter expertise (e.g. about particular industries, regulatory methods or associated history or research), or extensive practical experience as with the operations of regulated firms or businesses, or perhaps in dealing with the associated concerns of the public. The visions also diverge in terms of basic professional backgrounds that are most suited to performance as an ALJ.

Analysis

In the first of the two divergent views, there is no particular relevance to expertise in disciplines or specific subject matters. In this view, ALJs perform a general-purpose judging function that is suited to making good decisions in any CPUC proceeding, regardless of industry or issues that are presented. Thus, ALJs can be (and in fact, are) assigned across the entire range of CPUC proceedings without regard to specialization, since all are judges and all are presumed fully capable of handling all issues. There is allowance for the development of the judging ability with time and experience, and some mentoring activities (such as co-assignments of cases with experienced judges) are undertaken to help newcomers come up to speed on key regulatory procedures -- such as those used to decide a general rate case. Consistent with this vision, the principal criteria for hiring ALJs should be the personal qualities noted above in the shared vision (e.g. temperament, writing ability, ability to manage multiple matters), with a strong preference given to attorneys who have a certain professional maturity as indicated by related experience. The preference for attorneys was supported by statements that the legal dimensions of PUC formal decisions are important, and that experience has tended to favor the performance of such professionals as new hires in the ALJ Division.

The second of the two divergent views acknowledges that many proceedings can be assigned successfully to any of the ALJs, but asserts that professional or subject-matter expertise is relevant to success as an ALJ in a substantial proportion of CPUC proceedings. This is because understanding many of the issues before the CPUC requires some such expertise, at least, and persons coming to the role without any technical background may struggle to evaluate complicated issues. Further, over time some judges will develop cumulative knowledge in certain policy areas, industries, or issues, and ALJs have been (and in fact, are being) assigned to matters based on their expertise – not in every instance, but definitely with regard to complicated or high priority proceedings. This view also notes that the CPUC operates in a rich institutional context that is not easily understood by a newcomer without some prior professional involvement in regulatory oversight. Those speaking to this perspective observed that the ALJ Division has maintained a rough balance historically between those with primarily legal qualifications, and others with primarily technical qualifications.

We see a number of organizational questions related to these alternative visions of ALJ qualifications, development and case assignments. Chief among them are the following:

- Should ALJs primarily be attorneys and generalists who handle the entire range of proceedings, without particular regard to any other specialized capabilities they may have?
- Or, is there a broader range of training and skills that make one suited to service as an ALJ, in part to support the matching of specialized capabilities to proceedings suited to them?

As indicated above, there was also a difference of opinion about the factual question of how ALJs are being assigned to proceedings today – essentially, whether ALJ expertise is a significant factor in matching judges to proceedings, or not. Here are some related considerations regarding the question of expertise among the ranks of the ALJs, and which professional backgrounds may be most appropriate for their work in CPUC proceedings.

ALJs should be experts

- The CPUC is presumed to be an expert agency, so those who personally draft most formal decisions should have expertise.
- Non-experts may have difficulty evaluating competing expert presentations, understanding the significance of key facts, recognizing fallacies for what they are, or identifying relevant issues in some instances.
- Unlike state and federal courts, the CPUC does not enforce any gate-keeping requirements for the qualifications of witnesses who claim to be experts, or the methodologies and data they use to reach conclusions (e.g. *Daubert* or *Sargon Enterprises*).[14] This may place a greater burden on the fact-finders to distinguish reliable expert opinion from fallacious or "junk science" statements.
- Many CPUC proceedings heavily feature policy evaluations or judgments that may require expertise to perform well.
- Errors on technical issues in proposed decisions are a strong motivation for ex parte contacts by parties to seek corrections, and ex parte contacts are a current focus of attention and concern.
- Experts may bring a more open mind to certain issues due to having a broader understanding or greater receptivity to new facts (e.g. due to formal research experience).
- The press of the CPUC's workload may impose some limits on the ability of staff divisions to supply expert assistance to ALJs, particularly on matters that may be considered of lesser priority to the agency overall (if not to the parties who are involved).
- The volume of proceedings before the agency often makes it difficult for Commissioners, their advisors, and senior agency staff to delve into the technical issues of many proposed decisions.
- The extent of deference that appellate courts provide to the CPUC as an expert agency is not clearly defined in statute, and can change over time depending on the perceived quality of Commission decisions.
- Having pursued advanced work of some kind may yield insights to ALJs about the nature of expertise, and ALJs may be better able to assist one another on a collegial basis if a range of expertise exists within the group.

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[14] In *Daubert v. Merrell Dow Pharmaceuticals, Inc. (1993)*, the U.S Supreme Court clarified the obligations of federal judges to perform a gate-keeping role to assure that expert testimony at trial reflects the use of recognized scientific methodologies. Subsequent Supreme Court opinions extended this requirement to all expert testimony, not just on scientific topics. In *Sargon Enterprises, Inc. v. University of Southern California* (2012), the California Supreme Court clarified that a similar standard applies in California state courts. As a practical matter, these requirements include pre-trial review not just of the methodologies and data used to develop expert opinions, but also of the qualifications of the experts themselves.

ALJs need not / should not be experts

- CPUC decisions often address a broad variety of concerns, and expert assessments or opinions are only one of many factors that need to be considered or balanced.
- Industry division staff provides support to ALJs on technical issues or analysis.
- Testifying experts and counsel have the burden of explaining technical issues in a clear and understandable fashion, and have several opportunities to do so in a typical proceeding (e.g. an application, testimony, cross-examination, briefs, comments, ex parte meetings).
- ALJs can question testifying experts in cases where hearings are held, or ask for further elaborations or explanations from the parties where those might be useful.
- Experts may bring a more closed mind to certain issues due to having developed strong views over time.
- It may be challenging to manage ongoing case assignments to allow particular judges to be available to handle matters involving their area of expertise, e.g. if such matters occur infrequently.
- Through developmental assignments and assigning each judge a variety of matters over time, new ALJs should eventually become capable of handling analyses that repeatedly arise in CPUC proceedings (e.g. complex ratemaking).
- Those who assume positions as ALJs with substantial expertise may have developed it in an advocacy setting, making them less suited to assignments in that field for conflict or appearance reasons.
- Repeated assignments of similar matters to the same ALJ can create a risk of effectively enshrining one individual’s viewpoint or approach to an issue.
- Notwithstanding other demands on their time, Commissioners, advisors and senior staff can become more deeply engaged in priority matters, where their expertise is beneficial to resolving the issues at hand.

ALJs should be attorneys

- Training and experience as an attorney are helpful for evaluating facts and advocacy in a judicial role.
- Legal training in writing skills is useful for producing well-drafted proposed decisions in a timely manner.
- Analysis of legal arguments is a key element of formal CPUC decision-making.
- Advisory staff, Commissioners and others can provide assistance with non-legal technical issues.

ALJs need not be attorneys

- Many professional disciplines teach how to evaluate facts, arguments and possibilities in a rigorous manner.
- Non-attorneys also can be effective and efficient writers.
- The outcomes of most CPUC proceedings hinge more on facts, technical issues and policy reasoning than legal arguments.
- Advisory staff, Commissioners and others can provide assistance with legal issues.

- Many non-attorney staff have been highly successful ALJs.[15]

Recommendation

Discuss the Role of Expertise and Professional Backgrounds of ALJs, and Conform Related Practices to a Common Understanding

As outlined above, a number of significant practices related to ALJs can be influenced by viewpoints regarding the role of technical expertise in their work, and the best professional backgrounds from which to recruit them. Given the divergent opinions we encountered and the central role of ALJs in formal CPUC decision making, we recommend that agency leadership discuss these questions and consider whether any modifications are indicated to current practices based on a consensus perspective.

ALJ Compensation and Status

Background

ALJ Division management repeatedly identified the current salary structure within the agency as an issue for recruitment of judges.

Audit Evidence and Analysis

Currently, there are two classifications: Administrative Law Judge I, and Administrative Law Judge II. Table 02 displays the salary range for these classifications along with those for two senior analyst positions (Public Utilities Regulatory Analyst V, and Senior Utilities Engineer), experienced attorneys, and the CPUC's first-line supervisor and manager positions for technical utility regulation work (Program and Project Supervisor, and Program Manager). In terms of compensation, an ALJ II position is above the senior analyst positions, while slightly lower than a Program and Project Supervisor and significantly below a Program Manager. For this reason, we were advised that some well-qualified candidates are not interested in an ALJ position, or are willing to take supervisory or managerial positions to leave the ALJ Division. Some ALJs also have taken rotational positions as advisors to Commissioners, gaining that experience while also diminishing the ranks of the ALJ Division to a degree. These factors can relate to the ability of the ALJ Division to recruit the most highly qualified candidates from within the agency, or to avoiding ongoing vacancies that keep the actual number of ALJs below authorized levels.

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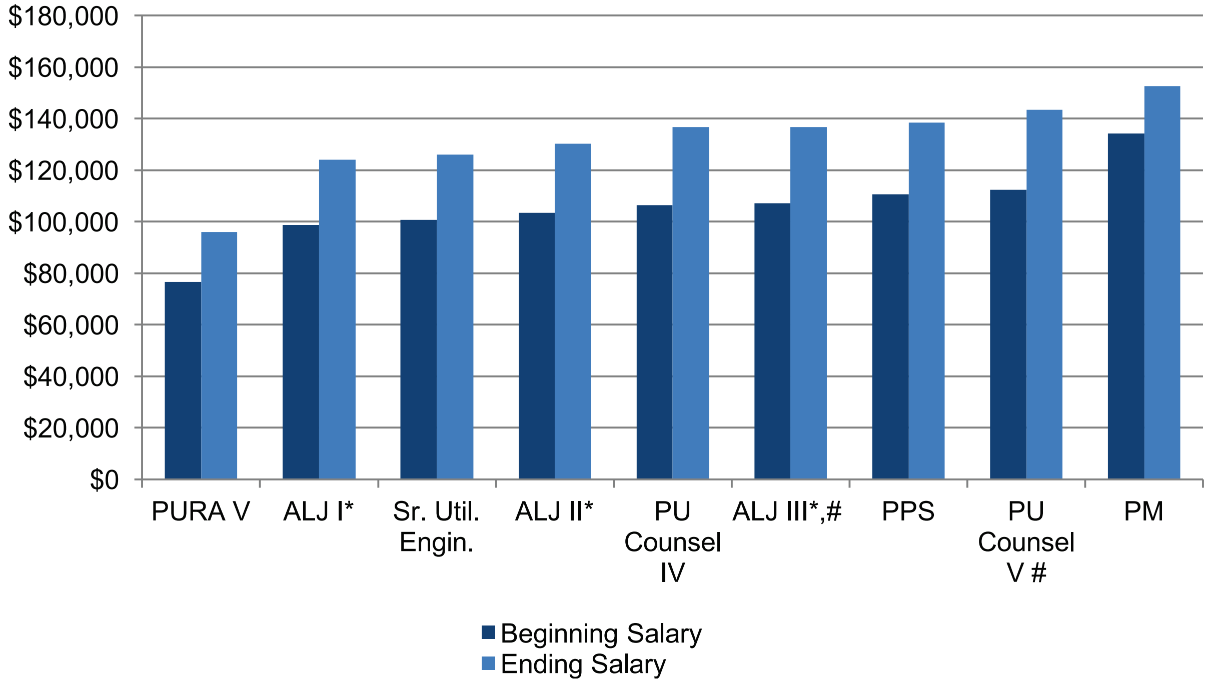
[15] E.g. within the past year, two non-attorneys served as Interim Chief ALJ, and the current permanent Assistant Chief ALJs are not attorneys.

Table 02 – Position Beginning and Ending Salary Comparison as of July 2015



* Includes 5% bonus for judicial training
# Proposed

Further, ALJs are generally thought to have a certain degree of independence in their actions on behalf of regulatory agencies, and the CPUC is no exception. There are a variety of viewpoints on the actual extent and meaning of that independence in the CPUC context, and we do not attempt to describe the entirety of that discussion here. However, the fact that some judges may see internal career paths beyond the ALJ position itself (such as in management, or advising Commissioners) may have some bearing on the independence discussion, particularly where an ALJ may obtain a pay raise by taking a position with a staff unit that is appearing as a party in advocacy before the CPUC (e.g. SED or ORA). There are some provisions of the PU Code and the Rules of Practice and Procedure that deal with potential conflict issues regarding ALJs, including those related to one's employment prior to becoming an ALJ. It may be worth considering whether any analogous issues are created by the potential for post-ALJ employment, as well.

Another compensation-related concern is the learning curve for new ALJs. Division management believes that a new judge typically requires about five years of experience for full professional development in the role. Many staff are hired into an ALJ position sometime later in their careers, and so may have a limited amount of time to function in a fully developed manner before considering retirement.[16] Others who might have a greater number of working years ahead can find the opportunity for management positions (and significantly higher compensation) to be reason enough to move on from the ALJ Division. Since supervisory experience is considered an important prerequisite for a Program Manager position (the highest-paid regular CPUC staff level), ALJs can have an incentive to move to a Program and Project

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[16] ALJ management advised that applicants are considered equally regardless of age, and so this consideration is not factored into hiring decisions.

Supervisor position even without a pay increase. These two sources of turnover create a concern for the ongoing maintenance of a full roster of experienced ALJs.

As one potential response to these compensation issues, ALJ noted that it has undertaken efforts to create an ALJ III position, in part to make its salaries more competitive with other senior CPUC positions. However, we were told that this position would be limited to attorneys only, and thus would not address the same issue for ALJs with other professional backgrounds.

Recommendation

Adjust ALJ Compensation Levels Relative to Other CPUC Senior Staff Positions

The capabilities and performance of its ALJs are critical to the CPUC's formal decision making. The agency's most important product is its written decisions, which ALJs prepare. Most proposed decisions are adopted by the Commission without significant modifications, or any modifications at all. The ability for Commissioners to rely on an ALJ's knowledge of the record, assessments of technical issues and judgment is essential, particularly given the revisions to the Bagley-Keene Open Meeting Act that were made several years ago. Those revisions reduced the ability of Commissioners and their personal advisors to deliberate on formal decisions, or any other matter of business before the agency. While Commissioners retain full authority and responsibility for their votes and can use certain vehicles for deliberative discussions (e.g. noticed open meetings, rate-setting deliberative meetings), as a practical matter the importance of the ALJs was elevated by making it more difficult for Commissioners and their personal staffs to work collaboratively in the decision-making process. ALJs also represent the Commission in public forums. Their capabilities, demeanor and knowledge are important for maintaining public trust in agency proceedings and the Commission's actions. For these reasons we believe that ALJs need to be among the agency's most capable and experienced staff, and the pay and status of those positions should be consistent with that expectation.

Also, whatever one's notion of the actual independence of ALJs in their CPUC roles, it may be weakened by the potential for these positions to serve as a stepping stone to other, more highly compensated jobs within the agency. Of course, employees are free to shape their own career paths and compete for any positions that interest them, but it may be counterproductive for compensation schedules to maintain a significant incentive in this regard.

Historically, ALJ compensation was more similar to that of the other most responsible CPUC staff positions, and we understand that a variety of circumstances have changed that over time. Ultimately, the agency may have little control over the existence of pay differentials, or the timing and extent of remedies. The proposed ALJ III position might offer an improvement to the situation, a benefit that would be limited if it is reserved for attorneys only. In any event and for the reasons stated, we recommend that management consider strategies to reduce or eliminate pay differentials between ALJs and other senior-level professionals within the agency.

Open Versus Promotional Hiring Processes

Employee positions can be filled in a variety of ways – in particular, through promotions-in-place for current employees, or through competitive processes that may occur within the agency or with outside candidates also included. In 2005 an executive decision was made to fill most vacancies through competitive hiring processes open to inside and outside candidates, an action that has created a somewhat surprising breadth of implications for the agency's operations. In this section we describe the impacts that our audit interviews identified, and recommend that the 2005 decision be reviewed with fresh data and consideration by management of the various tradeoffs involved. In making this recommendation we are not proposing a particular outcome, but rather suggesting that an assessment of the associated goals and impacts may result in the strategic choice of a different balance (between various approaches to hiring and promotion) to best meet the agency's needs.

Background

Procedures for filling State Service positions (such as at the CPUC) are generally intended to reflect merit, the provision of competitive opportunities to applicants, vested rights of employees as determined by law or collective bargaining, and a documented and verifiable process.

A variety of hiring and promotional approaches have been developed that meet these requirements. For most employees, the initial entrée into State Service comes through an open competitive examination used to create a ranking list for a given job classification. Depending on the needs of an agency and associated circumstances, competitive examinations also can be offered on a promotional-only basis (for current employees), or on an open non-promotional basis where outsiders may compete (where current employees may be given a predetermined point preference in scoring the exam).

In using the lists that result from competitive exams, agencies have options such as hiring directly from a list in rank order, or taking applications from eligible candidates (usually in the top three ranks of a list) who may be asked to submit a written statement of qualifications and/or participate in a hiring interview. Another approach is to conduct a separate hiring examination in order to fill one or several specific positions that may have particular requirements. As well, current or prior employees may qualify for a position without an exam based on a transfer, or reinstatement to State Service based on their prior level. Additionally, agencies may offer promotions-in-place to employees who demonstrate readiness for higher-level responsibilities through formal evaluations of their performance, and certain other options (such as training and development assignments) are also possibilities for internal candidates.

In the course of our audit, we were advised that a general CPUC policy decision was made during 2005 that positions within the agency be advertised as open to both internal and external candidates. Practically speaking, there does not appear to be a document that states or specifies this policy, although we were advised that it is enforced through the Executive Director and Deputy Executive Director -- who are able to consider exceptions that might be proposed. HR does maintain a list of classifications for which promotions-in-place can be authorized if certain criteria are met.[17]

The intended benefit of this policy was the ability to draw upon talent and experience outside of the agency, including counteracting a tendency for insular views to develop if outsiders are brought into the organization only at entry levels. Another reason was the San Francisco location of agency headquarters, which limits the ability to attract current employees from other State agencies that are predominantly located in Sacramento. As noted above, there are potential alternative approaches that are authorized under State personnel rules and procedures. One possibility might involve hiring from the outside for entry-level positions only, or perhaps along with a selected mid-level entry point and/or instances of particular positions where outside candidates are seen as especially helpful.

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[17] CPUC Personnel Operations Manual, "Promotion, including Promotion-in-Place" (September, 2012 version).

Audit Evidence

From our interviews, we obtained substantial qualitative evidence related to this question. We also collected data on hiring decisions during 2014, to test to what extent candidates from within and outside the agency were successful in obtaining positions.

Relevant interview evidence was as follows:

1. The potential for what we might term a "hiring cascade" was described. A senior-level position (e.g. a PURA V) might be filled by another employee who might take a promotion from a PURA IV in a different unit. In turn, that PURA IV position would have to be advertised, and might be filled by a current PURA III in a further unit. Ultimately, perhaps an outside candidate might fill the vacant PURA I position at the end of the chain. In this hypothetical, filling the PURA V position through an advertised open process would have led to the need to perform four additional hiring actions. However, the five hiring actions in total would have resulted in only the single outside candidate being hired, and at the entry level where outside candidates may be likely to predominate under any hiring policy. To implement these advertised open hiring actions does come at a cost, as those procedures maximize demands on the time of the HR professionals involved, and on that of the hiring managers for the various positions. Another cost is a potential for lengthened delays in filling the positions and therefore obtaining the desired productivity from them for the benefit of the agency's work.

   By contrast, a promotion-in-place for a PURA IV (for example) could conceivably fill the PURA V position through a single personnel action requiring less time from HR and divisional managers than any of the five open hiring actions mentioned above.

2. Concerns were expressed that professional staff may be required to switch the functions and / or subject matters on which they are working to gain a promotion, where promotions-in-place are not available and their practical option is to apply for an open position in another unit. Earlier we noted that this concern was expressed by ORA, potentially related to expert testimony roles for its staff. Additionally, even where a higher-level position might become available within the same unit, the potential for such hiring actions might reduce the incentive for staff (and perhaps management) to invest in the potential of a given employee who does not have an assurance that a higher-level position will be available in return for successful development of the required capabilities. In some instances we were advised that divisions will select staff for such opportunities through selecting the single highest-scoring applicant on a numerical scale, without regard to prior experience in the unit. Aside from questions about the adequacy of such evaluation methods to make fine distinctions among candidates based on a numerical score, there is a managerial question about the extent to which employees should be encouraged to undertake multiple changes of subject matter focus or duties, in order to obtain promotions needed for career advancement.

3. A contrary opinion was also expressed, that encouraging changes of employee focus (in order to obtain promotions) can be healthy in developing well-rounded senior staff able to perform a broad variety of duties. Seeing important CPUC functions undertaken across a variety of contexts can also help one understand them better, and provide a broader perspective on the regulatory process. For example, the Energy Division finds

merit in this view, although it was stated in the context of employee movements within that division and the energy-based work it performs.

4. Repeatedly, we were told that filling vacancies takes too long, and typically leaves positions unfilled for a number of months (at least). Some managers within divisions believe that a lack of staff availability or responsiveness from HR is an important element of this concern, along with the time demands that open competitive hiring processes place on divisional managers who must participate. For their part, HR managers agreed that they are not satisfied with their ability to process hiring actions on a timely basis, in part due to the large number of such actions that are necessitated by the open competitive hiring policy.

In terms of quantitative analysis, we reviewed all hiring decisions made by the agency during 2014, and broke them out between internal and external candidates. For this purpose, note that some fraction of the "outside" hires were reinstatements or transfers from other agencies, some of whom (at least) may have been able to obtain their positions through reinstatement or other means that did not require an open exam or hiring process.

The results are summarized below in Table 03, and vary somewhat vary across classifications. However, there are some notable patterns. Many entry-level positions are dominated by outside hires, as would be expected. On the other hand, many higher-level positions featured few if any outside hires, including the PURA II through PURA V levels, and Program and Policy Supervisors and Program Managers – all of whom were inside hires in 2014.

Table 03 – Job Actions for Selected Classifications in 2014

	New Hires	Promotions	Lateral/ Transfers
PURA I	11	1	0
PURA II	3	12	0
PURA III	2	15	0
PURA IV	1	9	0
PURA V	3	10	0
Auditor I	4	0	0
Financial Examiner II	0	2	0
Financial Examiner III	0	1	1
Data Proc. Mgr. I	1	2	0
Data Proc. Mgr. II	0	1	0
Data Proc. Mgr. III	0	1	0
Consumer Aff. Rep.	1	0	0
Consumer Aff. Supr.	0	2	0
Consumer Aff. Mgr.	0	2	0
Utilities Engineer	9	0	0
Sen. Utilities Engineer	1	1	1
Prog. Proj. Supervisor	0	3	0
Prog. Manager	0	3	1

Analysis

As an initial observation, for many classifications where the policy seems relevant (i.e. above entry level), it appears that relatively few outside candidates are succeeding in the competitive hiring process and being brought into the agency. Thus, the policy may not be succeeding on its own terms, including the possibility that its objective may not be realistic. It is not entirely surprising that employees identified as superior prospects – in competitive entry-level hiring processes – may tend to retain an analogous advantage in competing for subsequent promotions as they gain familiarity with the agency and its work.

With regard to encouraging changes of positions and roles within the agency for current employees, the effects of the policy are not easy to evaluate at face value. For example, moving to a new work activity, subject matter or division could be a beneficial broadening experience for a given employee, or disruptive of the development of deeper expertise. The lack of defined developmental paths for employees (discussed elsewhere in this report) further complicates any evaluation of such effects from an audit perspective. In the absence of models or standards for what should be happening to help employees fully develop their capabilities, it can be difficult to say which kinds of experiences are to be encouraged as a general matter across the agency. Neither is one model necessarily better for all employees, circumstances or stages in one's career.

We did not attempt to estimate the costs of the open hiring policy, in part because developing a credible estimate would require starting with a specific alternative approach to which the status quo could be compared. However, we heard consistent expressions of dismay at what are seen as the demands and delays of the current agency approach to hiring and promotions, both for (and for the responsiveness of) the agency's HR professionals, and for the amount of time and attention required from non-HR senior managers in conducting open exam and hiring processes.

The development of an insular agency culture also appears to be a legitimate potential concern. However, the policy may be doing little to address that concern, if success would require making more than a few outside hires into positions above entry levels.

Providing State Service opportunities to the broadest possible range of candidates is one further possible consideration, although one that can be served without necessarily making most professional positions a potential point of entry.

Finally, we were concerned about the absence of documentation of what the policy entails, including a testable goal as to whether it is succeeding, or a time line for periodic evaluation of its effects. In our view, a decade is too long for such a policy to be maintained as no more than an unwritten understanding among the agency's senior management.

Recommendation

To reiterate, we recognized at least the following set of possible goals for a hiring and promotional policy:

- Finding highly-qualified candidates for performing the duties of a particular position;
- Encouraging and rewarding the development of expertise in a given area;
- Providing broadening experiences for employees as part of career development;
- Minimizing necessary costs and delays of the hiring and promotional process, including for HR professionals and for agency managers;

- Allowing newcomers with varied viewpoints to enter the agency at different levels to reduce insularity;
- Providing fair and appropriate opportunities for candidates who aspire to joining State Service at the CPUC.

As well, these goals may be best understood in the context of defined career development paths for employees, as we discuss elsewhere in this report.

As things stand, the CPUC's open hiring policy does not appear to be achieving the purposes its architects intended. And while we cannot provide an estimate, it is plausible that the costs of this policy are significant, and we found evidence of confusion (at least) about its efficacy in achieving some of the other goals noted above. It is past time for the agency's mix between open and promotional hiring to be analyzed, and managed on an ongoing basis based on some metrics of the objectives that current management thinks it should achieve.

Appraisal and Development Plan Gaps

Our audit interviews revealed a gap in the formal employee appraisal processes. Rather than the standard performance review process, newly-hired or newly-promoted employees are evaluated through probationary reports for their initial year. While this is the appropriate practice, it does not provide for describing or tracking employee developmental or career planning objectives. The same probationary report process applies to employees who are promoted, and to many lateral transfers. The result is that for those who make a number of position changes within several years, opportunities for formal developmental assessments can become irregular or inconsistent.

We recommend that this gap be filled as part of an improved agency-wide employee development and career planning process.

Background

Current CPUC policy is to perform an Appraisal and Development (ADP) review annually for each employee occupying a permanent position. The ADP process and form is the one consistent means across the agency by which developmental objectives can be documented and their progress tracked from year to year.

However, an employee who is new to a given position – either as a new hire to the agency, through a promotion, or through a lateral transfer involving a new job classification – usually must complete a one-year probationary period before acquiring permanent status in the new position. During that year, the employee's supervisor evaluates his or her performance through a Report of Performance for Probationary Employee (STD 636) This is appropriate given that the CPUC regards the probationary period as a part of the hiring process, during which the employee should demonstrate good performance that merits a permanent position. Consistent with that approach, State Service rules permit the agency to dismiss an employee prior to the end of the probationary period due to inadequate performance. Once an employee obtains permanent status in a position, dismissals for shortcomings in performance become more difficult to pursue.

For these reasons, it is understandable that the agency's emphasis in probationary reviews is on assuring satisfactory performance of the existing duties for the employee's current position. However, this approach might not also recognize needs of employees for further development to succeed at more responsible tasks, in future positions. As well, some employees can obtain multiple promotions within a period of several years, and thus spend a significant fraction of that part of their careers without access to a formal avenue for promoting developmental or career planning and feedback.

Audit Evidence

This issue surfaced during our meetings with CPUC HR managers. As discussed elsewhere in this report, our audit evidence showed that employee developmental needs tend to be addressed to at least an extent through documents prepared for probationary or annual personnel reviews. Thus, supervisors and managers seem to be responding (in a positive way) by using the probationary forms in a manner for which they were not intended, and in that way filling in for the lack of an ADP form per se for an employee in a new position.

At the same time, the level of attention to employee development was not consistent across all the sampled personnel forms, and few contained any information about longer-term career planning.

Analysis

Our understanding is that most CPUC employees do pass their probationary reviews and become permanent in their positions, whether as new hires or through internal promotions or transfers. Those employees should receive consistent attention to their short-term developmental needs and progress as well as their longer-term career planning goals, including during a probationary period.

Recommendation

In the short term with regard to current practices, we recommend that every probationary employee receive at least an annual review of developmental needs and progress, using the appropriate portion of the ADP form or a similar form that might be developed. As noted earlier, this should include both short-term developmental goals for a current position, and attention to longer-term career planning.

Assuming that our overall recommendation in this area is adopted in some form by agency management (i.e. the use of a job competency model or similar method for assessing employee developmental and career needs and tracking progress, on a consistent basis across the agency), we recommend that employees on probationary status be fully included in that system.

Succession Planning Misconception

Many CPUC senior managers understand that succession planning for particular positions is not permissible due to civil service or legal restrictions. We understand that this perception is not accurate, and recommend that it be addressed by disseminating definitive information along with some suggested approaches.

Background

Our audit interviews revealed an understanding among many managers that a key aspect of succession planning is not permitted. This observation was offered when we posed the question in personal terms, i.e. are there candidates who would be ready to take your position if (for some reason) you were to leave it? The concern expressed was that any actions taken with regard to possible successors would constitute an exercise of favoritism, contrary to State Service rules.

While giving preferences to personal favorites is presumably an unacceptable practice in any professional work environment, we understand that it is reasonable for managers to consider the readiness for advancement of all their employees, and to provide opportunities for their further development consistent with the interests and capabilities. This can include helping employees become ready to compete for senior leadership positions.

Audit Evidence

As noted above, this information was obtained in interviews with senior managers, up to the Director level.

Analysis

Based on our review of State standards and other materials provided by CalHR, it is evident that it is appropriate and permissible for CPUC managers to think in terms of succession planning for specific positions (including their own), and to offer a variety of supportive efforts to help employees prepare to take on the responsibilities of higher-level positions. We believe this also includes the ability to provide assistance tailored to the individual needs, preferences or efforts of employees, for example to help each person develop the particular capabilities that might be of most benefit to their progress.

At the same time, we think that managers would benefit from more specific and authoritative guidance on permissible approaches than we are able to offer in an audit report.

Recommendation

We recommend that HR develop and publicize a set of guidelines as to which types of succession planning are permissible based on applicable rules and legal requirements, including the development of employees who might compete for particular senior positions within the agency. These guidelines will be most useful if they offer specific examples, along with some suggested approaches for senior managers to employ.

Given that this question is primarily a matter of information and perceptions, providing a definitive statement should help resolve the issue.

Recommendations:

As indicated throughout this report, our consistent finding is that workforce development, longer-term employee development, and succession planning efforts are generally not occurring across the CPUC at an agency-wide level. At the same time, individual divisions are pursuing elements of these functions, and in a fairly robust fashion in some instances. In this regard, the divisions are operating almost like small agencies of their own, bound together with the other divisions administratively but not quite in the sense of an entity being managed as a whole.

While the agency has developed its current staff resources without the use of an overall workforce perspective, there are also significant operational gaps that could be filled through a more coordinated approach. For example, managers consistently expressed dissatisfaction with current staffing levels relative to workloads, but generally could not offer specific comparisons of the size of their units' workloads versus the capacity of their staff to complete it.

For many key agency tasks (e.g. the conduct of major formal proceedings), the workload is also spread across divisions and must be assessed comprehensively if meaningful measures of capacity and utilization are to be developed for managerial or budgetary purposes. Similarly, having divisional or agency business driven by factors outside of its control is hardly unique to the CPUC. This circumstance that might add uncertainty to forecasts of workloads, but doesn't preclude a better understanding of their size and composition, or quantifying prior workloads as a means to estimate future staff needs.

As another example, many CPUC staff require professional development throughout the early years of their careers to perform at a journey level, but there is little agency-wide thinking or guidance provided about what viable career paths are available, and how an employee might best pursue them through training or particular assignments. Certain efforts at succession planning occur within some divisions, but many managers mistakenly believe that a core element of this (preparing particular employees to aspire to more responsible positions) is foreclosed by state personnel rules. The succession planning we did find is mostly geared towards knowledge transfer at the end of an employee's career, rather than unit or management continuity. And, while hiring decisions will always have to respect the immediate tasks that an employee will perform, in those decisions the broader needs of the agency appear to receive little, if any consideration except as may be found in the general examination requirements for the personnel classifications the agency uses.

Our core recommendation is thus that agency-wide processes be developed for these important functions. There is a need for a senior level human resources executive to lead this effort, with enough authority to require the divisions to participate in the processes that will be developed. That executive will also need some staff direct reports with the analytical capability, status, and organizational skills to work with divisional management to develop specific procedures that are useful to the agency as a whole. We were struck by an observation from one executive that a particular organizational initiative had been developed at one point, but the "divisions failed to do it." An active, central authority is needed to provide more encouragement, analysis and direction in cases where a unified agency approach is appropriate.

In terms of implementation, we would recommend the following for executive management's consideration. A useful way to begin might be with one or two priority topics, where the HR executive and staff would lead a collaborative effort with divisional management to identify a consistent set of practices to be adopted across the agency. As indicated throughout this report, in many areas the participants would not be starting from a blank slate, but would be able to draw from existing approaches in some divisions that could serve as agency-wide models. Simply identifying, sharing and broadly adopting selected best practices already developed by individual divisions could create significant progress. In some other areas, new practices will have to be developed, but some of these can be built on existing tools (e.g. the time reporting system) that are underutilized now and could be adapted to broader use. Some other initiatives could be built on nascent efforts already underway. For example, the growing list of training offerings HR has been creating could be expanded into fully-specified staff development paths, with associated training and experience recommendations and a tracking and advising system for employees.

We also see collaborative development across the agency as the best approach because it is not apparent, in the abstract, what the optimal extent of these processes will be. Tradeoffs may occur between the intensity of new procedures (and associated costs in resources, time and attention) versus their utility for agency management, leadership and employees, and others such as control agencies, the Legislature, and the Governor's Office. The most aggressive implementation will not always be the best one, and that balance needs to be found on a practical basis within the agency.

Here is the list of efforts we propose:

- Development of agreed-upon career planning visions for employee classes, including a tracking and mentoring system applied to every employee from entry through journey level:
    - These would include specific competencies that are needed for promotion to different levels within a classification; training courses and developmental assignments or experiences relevant to obtaining those competencies; and ongoing, individual assessments of employee progress along with individualized plans for how additional competencies will be acquired. The potential for candidates to achieve the full range of desired competencies could also be considered as a factor to make hiring decisions a little less "local," and more in keeping with the agency's overall workforce needs for the long term.

- Use of ETS to record work efforts on a more granular and consistent basis across the CPUC (i.e. same projects/tasks recorded in same manner across divisions), in a manner coordinated with the developing strategic planning effort:
    - This would include the development of common titles or descriptors for particular work tasks, wherever performed within the agency; recording in ETS of employee work hours on a detailed basis, using those common titles; and ongoing analysis and refinement of the system based on its utility for workforce planning and budgeting.

- Development of practical methods to forecast demands for CPUC work, and workforce capacity available to fulfill them:
    - Using the more detailed ETS data to be made available, this will involve developing measures of the total size and composition of the CPUC's workload, the apparent capacity of the workforce to perform it, and forward-looking estimates of the fit between the two along with any anticipated gaps.

- Development and universal deployment of a substantial onboarding system for new CPUC employees:
    - The result would be a series of checklists, written materials, briefings and short training classes to be provided to all new CPUC hires within their first year.

- Analysis and improved management of hiring processes:

  - Frustration was expressed nearly universally at the slow pace and uncertainties associated with the CPUC's hiring processes. Improvements may be possible through mapping the specific steps involved, and gathering systematic data on their duration and associated successes and failures.

- Development and universal deployment of succession planning protocols and tools for divisional use, including leadership development training and a systematic approach to knowledge transfer:
  - This suggested focus is in three areas: Preparing individuals for higher-level roles and responsibilities; tracking and developing successors to backfill key functional areas; and systematic knowledge transfer (both oral and written) from employees who are retiring from the agency.

- Ongoing sponsorship of an HR best practices collaboration group, to include all divisions:
  - The objective is to promote sharing of solutions already established successfully in the CPUC's work environment, including those that address many of the objectives described above.

Additionally and as noted earlier, we recommend the following actions with regard to the four specific issues that were identified:

- Discuss the role of expertise and professional backgrounds of ALJs, and conform related practices to a common understanding of these; and, adjust ALJ compensation levels relative to other CPUC senior staff positions.
- Develop a procedure to fill the gap created today when employees might not receive developmental or career planning feedback and assistance during probationary periods in new positions.
- Evaluate the open hiring policy, and make any adjustments needed to conform it to current agency hiring-related goals and associated impacts.
- To correct current misunderstandings, provide agency supervisors and management with guidelines describing succession planning practices that are acceptable under related law and rules.

Finally, it should be noted that the Commission's Finance and Administration Committee has already begun the process to address strategic planning for the agency as a whole, which relates to many of these issues. We recommend that this report serve as an additional input for the Committee's efforts.

Appendix A – Management Responses

California Public Utilities Commission

Date: September 16, 2015

To: Carl Danner, Chief
California Public Utilities Commission
Internal Audit Unit

From: **Timothy J. Sullivan**
Executive Director Timothy J Sullivan

Subject: Response to Internal Audit Unit Report on Workforce Planning, Career Development and Succession Planning

Management of the California Public Utilities Commission has reviewed the findings and recommendations from the CPUC Internal Audit Unit, and we generally agree with the overall finding that "workforce development, longer-term employee development, and succession planning efforts are generally not occurring across the CPUC at an agency-wide level. At the same time, individual divisions are pursuing elements of these functions, and in a fairly robust fashion in some instances." We have already begun mapping out our corrective actions to respond to the observations and recommendations. Below we address the recommendations as described in the Recommendations section of the report. Where recommendations are highly related, we have grouped them together for response.

Core Recommendation 1: There is a need for a human resources executive who possesses the authority and high-level analytical staff resources to lead an agency-wide approach to workforce planning, recruitment, employee development, and succession planning on an ongoing and consistent basis.

Recommendation 1: Development of agreed-upon career planning visions for employee classes, including a tracking and mentoring system applied to every employee from entry through journey level.

Recommendation 4: Development and universal deployment of a substantial onboarding system for new CPUC employees.

- **Response:** Management agrees that it is critical for Human Resources to have an expedited channel to the top of the organization. Elements that will address these recommendations are currently underway or are in the planning stages. Working with the administration through the state budget process, the CPUC is seeking to augment its staffing in Human Resources to centralize and expand our ability to accomplish an expanded vision for employee development. In order to accomplish the vision described in the Internal Audit recommendation additional resources to create a workforce and succession planning unit, in addition to onboarding activities, career counseling and other programs to support employee development such as mentoring and coaching will be required. In the short term, the Deputy Executive Director, Administrative Services, is considering reorganization options for Human Resources to support assignment of more resources to these strategic initiatives.

Recommendation 2: Use of ETS to record work efforts on a more granular and consistent basis across the CPUC (i.e. same projects/tasks recorded in same manner across divisions), in a manner coordinated with the developing strategic planning effort.

Recommendation 3: Development of practical methods to forecast demands for CPUC work, and workforce capacity available to fulfill them.

- **Response:** Management agrees that using the Employee Tracking System to determine workload metrics is an excellent tool to assist management with oversight of CPUC programs and workload, and has great potential to assist in developing practical methods for estimating the type and amount of personnel time necessary to staff various types of CPUC work. As we gain more experience with using the data available in ETS, we expect to make refinements in nomenclature to further support cross divisional comparisons.

Recommendation 5: Analysis and improved management of hiring processes.

Action Recommendation 3: Evaluate the open hiring policy, and make any adjustments needed to conform it to current agency hiring-related goals and associated impacts.

- **Response:** Management agrees that the speed and efficiency of the CPUC's hiring process has numerous opportunities for improvements. Human Resources is in the process of revamping the hiring process to eliminate bottlenecks by revisiting roles and responsibilities between HR and the divisions. In addition, we are working to streamline our exam process. If these initiatives are successful, this should free up HR analyst time to perform class studies, specification revisions and consolidations. These are key areas that need to be addressed in order to streamline the process, reduce the amount of paperwork, and align with the State's Civil Service Improvement Project plan.

Recommendation 6: Development and universal deployment of succession planning protocols and tools for divisional use, including leadership development training and a systematic approach to knowledge transfer.

Action Recommendation 4: To correct current misunderstandings, provide agency supervisors and management with guidelines describing succession planning practices that are acceptable under related law and rules.

- **Response:** Management agrees that succession planning is an area where insufficient resources have been dedicated and understanding of what is allowed has been unclear to management historically. CalHR has clear models that support Workforce and Succession Planning efforts which we plan to pursue with adequate resources; however, we note that the Workforce and Succession Plan should be integrally related to a Strategic Plan to ensure alignment with the CPUC's Mission, Vision and Values. Management is participating actively in the strategic planning process currently underway and looks forward to using the results of that process to ensure that new Workforce and Succession Planning tools meet the organizational needs.

Recommendation 7: Ongoing sponsorship of an HR best practices collaboration group, to include all divisions.

- **Response:** Management agrees with this recommendation.

Action Recommendation 1: Discuss the role of expertise and professional backgrounds of ALJs, and conform related practices to a common understanding of these; and, adjust ALJ compensation levels relative to other CPUC senior staff positions.

- **Response:** Management agrees that clarity of roles for all employees, including Administrative Law Judges, is critical. The section entitled 'Other Audit Issues: Administrative Law Judge Expertise' clearly describes differing views of how the ALJs should be recruited based on education and experience. We note that it may be necessary to revise classification specifications depending on the outcome of that discussion which could impact the ability of incumbents in the ALJ classification to meet minimum qualifications for other classifications used at the CPUC which could have significant impact on movement of employees through the organization. Regarding compensation, we note that compensation issues for all classifications must be addressed through CalHR and bargaining negotiations after completing a class study-no study has been conducted to reach the recommendation in the report regarding ALJ compensation.

Action Recommendation 2: Develop a procedure to fill the gap created today when employees might not receive developmental or career planning feedback and assistance during probationary periods in new positions.

- **Response:** Management agrees that employees should receive developmental feedback during their probationary period. We believe that as part of the probationary process, developmental feedback is occurring, what may not be occurring is long term career planning. Development of the career planning visions for the classifications the CPUC relies on (Recommendation 1) should generally fill that gap without compromising our ability to evaluate an employee's performance during probation.

Internal Audit Unit Response to Management Response

The Internal Audit Unit appreciates the response of management to our audit recommendations, and would offer only a few additional observations.

With regard to Recommendation 3, we note that the essence of strategic planning is to prioritize the use of limited resources to address important needs, or create value. To do so requires the ability to measure what resources the agency has, i.e. the capacity of the CPUC to perform various kinds of work given the capabilities and numbers of its staff, and the available time and attention of Commissioners. In this way, the strategic planning process will also benefit from the development of workload metrics as mentioned in the response.

We appreciate the potential need for resources to address some succession planning efforts, and agree that integration with the developing strategic plan is desirable. At the same time, we would suggest that the initial step recommended by Action Recommendation 4 (essentially, preparing and distributing an authoritative memo to dispel misconceptions) can be taken now.

With regard to the compensation of Administrative Law Judges as discussed in Action Recommendation 1, we note the avenues that management identifies as available to it for taking action in this regard. In terms of performing a class study, the results of our analysis suggest that it would be important for the study to include the full range of career alternatives available within the CPUC for eligible, highly-capable staff – either as an alternative to pursuing an ALJ position, or subsequent to leaving it.

Appendix B – Next Steps

The Internal Audit (IA) unit believes a phased-in approach would be best for implementing the recommendations in this report. Within six months of the issuance of this report, we would like to see an action plan in place to create and staff the HR executive function, as well as some progress towards implementation.

Within one year's time, we would like to see tangible evidence of implementation of a workforce planning system within the CPUC, including progress towards a career development plan for staff and an agency-wide guidance plan for succession planning.

The four specific audit issues can be addressed in stages, e.g. efforts within six months could include the development and distribution of definitive guidance regarding succession planning, creating a procedure to fill the ADP gap for employees on probation in new positions, starting the discussion regarding the role of expertise for the ALJs, and assigning staff to begin the analysis of the open hiring policy. Within a year's time, we would anticipate that the role of ALJ expertise could be clarified and any needed managerial adjustments implemented, formal efforts made to modify ALJ compensation to parity levels, and a potentially-modified open hiring policy determined along with metrics through which its ongoing success could be tracked.

IA proposes to conduct a follow-up audit within twelve months to gauge progress towards meeting implementation goals.

Appendix C – Documents Reviewed

Executive

- None

HR

- A copy of the original IA document request list with responses and links
- Binder – CPUC Career Development Guide "Putting the Pieces Together" (Draft)
- A list of job actions for 2014
    - New Hires
    - Promotions
    - Laterals
    - Training and Development
- List of separations from 2012 to February 2015
    - Voluntary Resignations
    - Retirements
    - Adverse Actions
    - Deaths
    - Transfers
- Memo on Promotions in Place
- List of employees hired within the past seven years

ALJ

- Workflow charts
- Summary of ALJ assignments
- Transparency budget (gap analysis) and strategic planning
- List of technical expertise for ALJs – Leadership course description
- ALJ resource training guide
- Strategic plan
- Home port chart
- 1977 Resolution creating the division
- Training binders from boot camp
- ALJ time tracking reports (example of ETS printout)
- Documentation showing an understanding of proceedings and/or matters pending
- Time flow chart of the hiring process
- 2014 rulemakings regarding statutory or Legislative mandates
- 2014 annual intern reports
- ALJ legal intern handouts
- Documentation on cases (settled, open) from 2005 to 2014

CD

- A copy of the original IA document request list with responses
- Division Process Inventory (with no data)
- Division Staffing Resource and Allocation Matrix (with no data)

- Duty Statement Templates
    - PURA IV
    - PURA V
- Cal HR Training Schedule for staff

CSID

- A copy of the original IA document request list with responses
- Job Aids
    - No. 13-001 – VoIP Process
    - No. 14-001 – New Non-Jurisdictional General Response Letter and Process
    - Consumer Affairs Branch (CAB) Quick Start Compliant Processing Guide
    - Consumer Information Management System (CIMS) Quick Start Job Aids (1-3)
- Hiring Guide for CPUC Managers, Supervisors and Division Liaisons (February 2008)
- Public Advisor's Office (PAO) Procedures Manual
- Agenda for PAO offsite meetings
    - January 2014
    - March 2015

Energy

- A copy of the original IA document request list with responses
- Goals PowerPoint presentation – 2015
- Draft administrative goals for database modeling – March 2, 2015
- Link to online database of approved Budget Change Proposals (BCPs)
- Contracts log, including
    - Contracts start and end dates
    - Vendors
    - Project names
    - Project managers
    - Work areas
- New Work Tracking Sheet (NeWT)
    - Template with instructions
    - Example – Energy Efficiency Branch
    - Example – Infrastructure Planning and Permitting Branch
    - Example – Market Structure, Costs, and Natural Gas Branch
    - Example – Procurement Strategy and Oversight Branch
- Hiring information
    - Roadmap
    - Tracking tool
    - Example – PURA V Duty Statement
    - Example – Request for retired annuitant
- Current and proposed organization chart

Legal

- A copy of the original IA document request list with responses and attachments
    - Strategic Planning for Legal Division
    - Memo dated October 2, 2014 outlining proposed changes to the Legal Division
- Conflict Practice Guides
    - Disqualification under the Political Reform Act July 2014
    - Form 700 Review of Prospective Hires June 2014

  - Outside Work and Activities 2014
  - Gifts and Travel June 2014
  - Post State Employment Restrictions July 2014
  - Contract Related Conflicts of Interest June 2014
- Examples of attorney case logs

OGA

- Email with responses
- Manuals
  - Emergency Handbook (700 L Street Building) – January 2010
  - Privacy Training – March 2011
  - Title 20 Public Utilities and Energy – April 2014
  - Procedures Manual – August 2014
  - HR Overtime Policy – September 2014
  - AGPA Office Duties (Draft) – March 2015
  - Fire Drill Procedures (770 L Street Building) – March 2015
  - Fire Safety Floor Warden Responsibilities – March 2015
  - ADP Policies and Procedures – 2015
- Emails
  - January 2013 – Lynn Sadler advising Commissioners and management on a new OGA process
  - February 2013 – Links:
    - CA Office of Systems Integration Administration Manual Template
    - CA Department of General Services State Manual
  - February 2013 – Lynn Sadler recommending a spreadsheet list of bills
  - January 2014 – EEO Office to All PUC with policy attachments
  - March 2014 – Call forwarding process
- PowerPoint presentations
  - Changes to the Department of Fair Employment and Housing (SB 1038) – January 2013
  - New EEO Laws – March 2013
- Communications
  - July 2014 – Memo from Lynn Sadler on failed security procedures related to a terminated employee
  - Tenant Contact Information (770 L Street Building)
  - March 2015 – Memo from Lynn Sadler on instructions for CPUC reports to the Legislature
  - Notice of CPUC Academy event hosted by Paul Clanon in the Governor's Council Room
- Tracking spreadsheet of requests from the Legislature
- Document on OGA management process flows
- OGA work plan
- CPUC Legislative Subcommittee Charter (Draft)

ORA

- Work plans
  - Electricity Planning and Policy Branch – week of April 6, 2015
  - Energy Cost of Service and Natural Gas Branch – April 1-14, 2015
  - Electricity Pricing and Customer Program Branch – Week of April 6, 2015

- Division of Ratepayer Advocates (now ORA) Management Policies Manual (Operational and Administrative) as of August 3, 2010
- ORA's Probation Report – April 2015
- ORA's Organizational Chart – April 2015
- ORA's Vacancy Status Report – April 2015

PIO

- A copy of the original IA document request list with responses and links
- Logs
    - Calls (no data)
    - Events with summary tab

PPD

- A copy of the original IA document request list with responses
- Work plan - 2015

SED

- Budget Change Proposals – 2012-2013
- Budget Change Proposals – 2014-2015
- Office of Utility Safety and Reliability BCP Request
- Railroad Operations and Safety Branch Needed Resources FY 2015-2015
- RTCB Resource Needs – June 2013
- Transportation Enforcement Branch (SED) BCP Concept Paper for FY 2013-2014
- Budget Summary Justification Memo 030215
- Budget Justification Risk 022315
- Energy Division Roadmap to Hiring a New Employee – 2014
- PowerPoint Presentation – Safety Culture and Safety Management Systems – November 2014
- Rail Safety Action Plan 2012-2017
- Rail Crossing Safety Annual Report – 2014
- Risk Assessment Unit Plan – 2012
- SED Annual Plan – 2015

Water and Audits

- Document with narrative responses
- Audit Branch Standard Practice document – December 2014

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"State of California Seven Step Workforce Planning Model," maintained by CalHR at https://www.calhr.ca.gov/state-hr-professionals/Pages/State-of-California-Seven-Step-Workforce-Planning-Model.aspx.

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